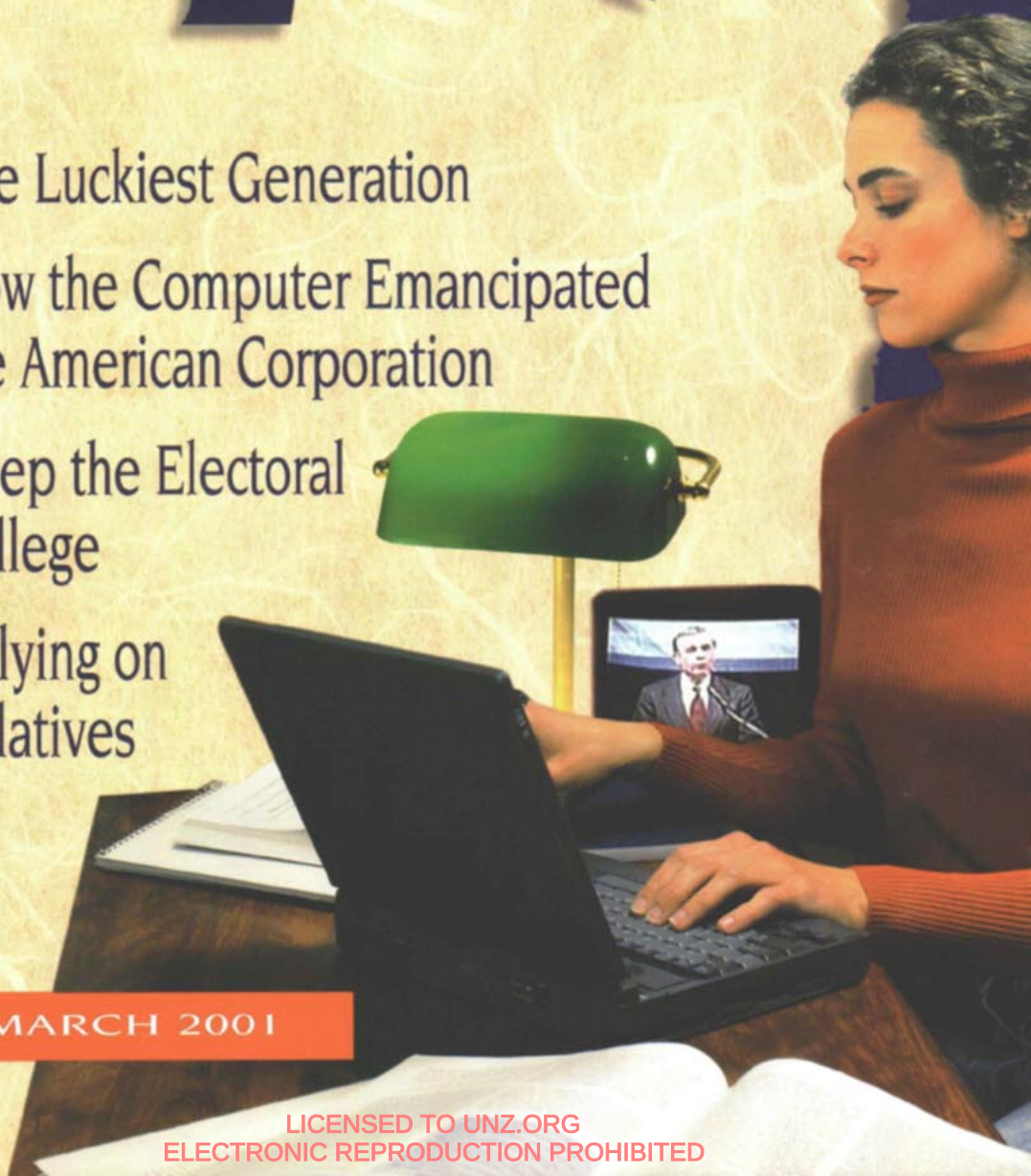
IDEAS ON LIBERTY

- The Luckiest Generation
- How the Computer Emancipated the American Corporation
- Keep the Electoral College
- Relying on Relatives



MARCH 2001

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

JOIN FEE AS A CHAMPION OF LIBERTY!

LEONARD E. READ SOCIETY / $10,000
The Leonard E. Read Society was created to bring honor and recognition to the friends who assure the fiscal viability of the Foundation. Members receive a commemorative picture of Mr. Read, along with all benefits provided below.

ENTREPRENEUR / $5,000
Members receive complimentary invitations to all our regional seminars, opportunities to meet one-on-one with FEE scholars, and an invitation to a special retreat with expert speakers and senior staff members. In addition, members receive all benefits described below.

BENEFACTOR / $2,500
Members receive complimentary audiotapes of FEE seminar highlights, a leather bound edition of *Human Action*, and all benefits described below.

PRESIDENT'S COUNCIL / $1,000
Members receive annual bound volume of *Ideas on Liberty*, complimentary copies of all new FEE books and publications, and all benefits described below.

PATRON / $500
Members receive a CD recording of Bastiat's *The Law*, the 2000 edition of *The Mainspring of Human Progress* by Henry Grady Weaver, special fax and e-mail updates, and all benefits described below.

SPONSOR / $250
Members receive FEE Occasional Papers, a complimentary copy of *Anything That's Peaceful*, as well as all benefits described below.

FRIEND / $100
Members receive one year of *Ideas on Liberty* and *FEE Today*, and a copy of Leonard Read's essay, "I, Pencil."

For further information, contact Nicole Gray at FEE: 914-591-7230, ext. 212, ngray@fee.org

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY

March 2001 Vol. 51, No. 3

FEATURES

8 **The Luckiest Generation** *by W. Michael Cox and Richard Alm*

12 **Oh, What a Piece of Work Is a Man** *by Ted Roberts*

14 **The Anti-Capitalist Children of Capitalism** *by Alex Moseley*

19 **The Never-Ending Welfare Debate** *by Norman Barry*

24 **Of Lights and Liberty** *by E. Frank Stephenson*

27 **How the Computer Emancipated the American Corporation** *by Larry Schweikart*

32 **National Gun Registration: The Road to Tyranny** *by Miguel A Faria, Jr.*

37 **Education, Creativity, and Prosperity: East versus West** *by Christopher Lingle*

40 **Gender Madness on Columbia's Campus** *by Wendy McElroy*

47 **The Ideals of Tyranny** *by Jim Peron*

COLUMNS

4 *THOUGHTS on FREEDOM*—**Human Creativity** *by Donald J. Boudreaux*

17 *IDEAS and CONSEQUENCES*—**Keep the Electoral College** *by Lawrence W. Reed*

25 *POTOMAC PRINCIPLES*—**The Robert Downey Jr. Problem** *by Doug Bandow*

35 *THE THERAPEUTIC STATE*—**Affirmative Chemical Action** *by Thomas Szasz*

45 *ECONOMIC NOTIONS*—**Economic Efficiency** *by Dwight R. Lee*

53 *ECONOMICS on TRIAL*—**Social Security Reform: Lessons from the Private Sector** *by Mark Skousen*

63 *THE PURSUIT of HAPPINESS*—**Relying on Relatives** *by Russell Roberts*

DEPARTMENTS

2 **Perspective—Polluting Production** *by Sheldon Richman*

6 **Kyoto Protocol's Death Is a Tragedy? It Just Ain't So!** *by Jerry Taylor*

51 **Capital Letters**

55 **Book Reviews**

Law's Order: What Economics Has to Do with Law and Why It Matters by David D. Friedman, reviewed by Charles W. Baird; **Economic Logic** by Mark Skousen, reviewed by Paul A. Cleveland; **The Graves of Academe** by Richard Mitchell, reviewed by George C. Leef; **NATO's Empty Victory** by Ted Galen Carpenter, reviewed by E. Wayne Merry; **The Coming Global Superstorm** by Art Bell and Whitley Strieber, reviewed by Patrick J. Michaels; **A Necessary Evil: A History of American Distrust of Government** by Garry Wills, reviewed by Joseph R. Stromberg.

Lesson plans for articles are available at www.fee.org.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY

Published by
The Foundation for Economic Education
Irvington-on-Hudson, NY 10533
Phone (914) 591–7230 Fax (914) 591–8910
E-mail: iol@fee.org
FEE Home Page: http://www.fee.org

President: Donald J. Boudreaux

Editor: Sheldon Richman

Managing Editor: Beth A. Hoffman

Editor Emeritus
Paul L. Poirot

Book Review Editor
George C. Leef

Editorial Assistant
Mary Ann Murphy

Columnists
Charles W. Baird
Doug Bandow
Dwight R. Lee
Lawrence W. Reed
Russell Roberts
Mark Skousen
Thomas Szasz
Walter E. Williams

Contributing Editors
Norman Barry
Peter J. Boettke
Clarence B. Carson
Thomas J. DiLorenzo
Burton W. Folsom, Jr.
Joseph S. Fulda
Bettina Bien Greaves
Robert Higgs
John Hospers
Raymond J. Keating
Daniel B. Klein
Wendy McElroy
Tibor R. Machan
Andrew P. Morriss
Ronald Nash
Edmund A. Opitz
James L. Payne
William H. Peterson
Lowell Ponte
Jane S. Shaw
Richard H. Timberlake
Lawrence H. White

Ideas on Liberty (formerly *The Freeman: Ideas on Liberty*) is the monthly publication of The Foundation for Economic Education, Inc., Irvington-on-Hudson, NY 10533. FEE, established in 1946 by Leonard E. Read, is a non-political, educational champion of private property, the free market, and limited government. FEE is classified as a 26 USC 501(c)(3) tax-exempt organization.

Copyright © 2001 by The Foundation for Economic Education. Permission is granted to reprint any article in this issue, provided credit is given and two copies of the reprinted material are sent to FEE.

The costs of Foundation projects and services are met through donations, which are invited in any amount. Donors of $30.00 or more receive a subscription to *Ideas on Liberty*. For delivery outside the United States: $45.00 to Canada; $55.00 to all other countries. Student subscriptions are $10.00 for the nine-month academic year; $5.00 per semester. Additional copies of this issue of *Ideas on Liberty* are $3.00 each.

Bound volumes of *The Freeman* are available from The Foundation for calendar years 1972 to 1999. The magazine is available in microform from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, MI 48106.

PERSPECTIVE

Polluting Production

Politicians use language differently from the rest of us. Take the expression "Big Polluters." Big Oil produces oil. Big Pharmaceuticals produce medicines. I guess Big Polluters produce air and water pollution.

What's more, they somehow make big profits doing so. How this works I'm not sure. Who would pay for pollution?

Obviously, there are no businesses that make profits by producing nothing but pollution. But that perverse fantasy serves a purpose. It is much easier for capitalism's antagonists to denounce Big Polluters if they can make people believe those firms are an unmitigated evil. Allow for a moment that they produce something that people value and the politicians' case is considerably weakened.

To live, man must produce. Production is the transformation of a combination of things (inputs) into something new (output). In the production process, waste byproducts inevitably result. There is nothing sinful in generating waste. On the contrary, since production makes life—an increasingly better life—possible, the production process is virtuous. (It's a myth, of course, that waste is unique to industrial societies.)

There's more to the story. Waste is not a fixed concept. What is a useless byproduct one day is a useful product the next. Entrepreneurs make extraordinary profits by finding value in what everyone else thinks is of little or no value.

As Jane Shaw and Michael Sanera note in their excellent book on the environment, *Facts, Not Fear*, industrial air pollution is largely unburned fuel. Fuel being costly, you might think that anyone who "puts profits before people" would hate burning money.

There's an intrinsic problem with the anti-capitalists' model of the businessman. If he is profit-hungry, he would not behave as he is accused of behaving. He would, for example, have no interest in using any more inputs than necessary to satisfy consumers. His profit is derived from minimizing inputs and maximizing the value of his output. That sounds like conservation, doesn't it?

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Of course, the idea of putting profits before people is absurd. Business people earn profits by thinking up ways to make people's lives better. In the free market, people generally have a harmony of interests. "People before profits" is a vestige of Marx's discredited philosophy of class warfare.

The upshot is that no factory is a mere polluter. If it didn't produce things people valued, it would close. This is not to deny that some factories pollute. At a given time, it may not be possible or economical to use the waste byproducts going up the smokestack. In that case, harmful pollution is a trespass onto the property (including the lungs) of other people.

Thus the right way to address a pollution problem is to identify and enforce property rights. The wrong way is to give bureaucrats carte blanche to regulate business. Since they see only pollution and no value in production, they will surely throw out the baby with the bathwater.

* * *

A college student who takes a summer job at the minimum wage would make his counterparts of 30 and 50 years ago positively green with envy. W. Michael Cox and Richard Alm enumerate the unappreciated riches of this low man on the economic totem pole.

The bureaucrats never tire of looking for ways to restrict our peaceful activities. But Ted Roberts reminds them that human beings have been cleverly evading such impositions for a very long time.

The spectacle of anti-capitalist protesters in designer clothes talking on cell phones and coordinating their demonstrations over the Internet is more than an irony. Alex Moseley explains.

The United States apparently ended welfare "as we know it" a few years ago. Was there genuine reform? Has it been successful? Norman Barry has an update.

People who run red lights endanger the people around them. Does that justify cameras at intersections? Frank Stephenson has his doubts.

It is widely accepted that the computer revolution has transformed business in untold ways. You haven't heard the half of it, writes Larry Schweikart.

The threat of gun registration always looms no matter how many times it is repelled. Miguel Faria reminds us of the tragic history of gun registration and what it means for America.

Japan's education system has for years been lauded by some Americans, who are convinced its alleged virtues should be embraced here. Not so fast, says Christopher Lingle.

Columbia University has the distinction of being the precedent-setter in establishing a campus "sexual misconduct" policy. Wendy McElroy predicts that the discarding of simple principles of justice and due process will have nightmare results.

Romanticizers of Soviet socialism continue to insist that its ideals were impeccable and only its methods were flawed. Jim Peron questions that claim and shows that democratic socialism is a chimerical alternative.

Here's what our columnists have this month: Donald Boudreaux pens an appreciation and elaboration—of "I, Pencil." Lawrence Reed defends the Electoral College. Doug Bandow wonders what's gained by jailing Robert Downey Jr. Thomas Szasz continues his examination of the schools as drug pushers. Dwight Lee praises economic efficiency. Mark Skousen looks to the private sector for a solution to Social Security. Russell Roberts wonders why actress Sarah Jessica Parker's family needs government help. And Jerry Taylor, reading a claim that Americans have to change their way of life to head off global warming, proclaims, "It Just Ain't So!"

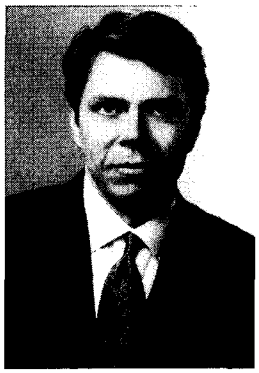
Our reviewers pass judgment on books about the role of economics in law, economic principles, schools of education, NATO, junk weather forecasting, and the history of distrust of government.

—Sheldon Richman

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Thoughts on Freedom

by Donald J. Boudreaux



Human Creativity

Leonard Read's most celebrated essay is his brilliant "I, Pencil." Even Milton Friedman—no slouch at bringing economics to life—acknowledges a debt to Read for demonstrating so vividly the enormous amount of human cooperation routinely achieved by free markets. "I, Pencil" makes clear that the knowledge and cooperation of literally millions of people are necessary to produce even a product as mundane as the pencil. This knowledge is so vast and so detailed that no human being or committee of human beings could ever hope to possess it whole. (You can read "I, Pencil" on-line at www.fee.org/about/ipencil.html.)

If prosperity is to continue, there is no alternative to relying on the decentralized decision-making and actions of countless specialists operating within the rules of private property. Only free markets elicit all the knowledge necessary to produce the goods and services we take for granted in modern society.

The importance of the "I, Pencil" thesis cannot be overstated.

There is, though, an even deeper point. While "I, Pencil" highlights the necessity of relying on millions of individual specialists to contribute their unique slivers of knowledge to the production process, the essay begins in midstream. All the tasks required to produce pencils already exist. For example, the necessity of exploring for graphite has been figured out, as have the precise methods for carrying out this exploration. All that's required is that people who specialize in such exploration be motivated to perform the task. The same is true for each of the millions of other tasks required for making pencils—felling cedar trees; transporting the wood and other inputs to the pencil factory; insuring the factory against fire and theft; operating the machine that produces erasers; finding the dyes to color the paint that will coat the pencils; and on and on and on.

Each of these productive steps began as a creative spark in someone's mind. Even the step that seems to us today to be most banal (perhaps making the casing out of wood) required someone, at some time in the past, to see for the first time in human history that wood is useful for human needs. "Seeing" this possibility was an instance of human creativity. This creative person figured out for the first time that a tree is useful if felled and cut into useful pieces.

The identity of this great benefactor of humankind is forever lost in the deep mists of history. Perhaps if he had not had that creative insight, someone else only one hour later would have had it. Or perhaps not. Humans are not born with the a priori knowledge that trees can supply useful products.

Perhaps this creative insight would never have otherwise happened. Or perhaps it would have happened, but only centuries or millennia later than it actually did. We don't know. All we do know is that it did happen, that we are today still benefiting from this occurrence, and that it was indeed a creative spark.

Donald Boudreaux (dboudreaux@fee.org) is president of FEE.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Nor are humans born with the a priori knowledge of how to chop trees down. To fell trees requires the use of a tool that originated as someone's creative idea. As obvious as an ax is to us today, there was a time in our history when the very idea of an ax had yet to occur to anyone. Someone, somewhere, at some time first conceived of an ax. Without human creativity, axes would never exist.

Immense Creativity

The same truth holds for all the pieces of a pencil and for each of the innumerable tasks necessary to produce them. Each pencil represents more than just the vast knowledge distributed among countless individuals. Each pencil represents countless individuals' *creativity*. No matter how simple any one of these tasks or features of a pencil might seem to us today, there was a time in human history when no one had thought of its possibility or of practical means of achieving it. Making marks with graphite; mixing graphite with clay; refining petroleum or linseed oil so that it serves as the base of enamel paint; fastening an eraser to the pencil shaft; producing an electrolysis machine that transforms bauxite, alumina, and myriad other raw materials into aluminum that can be molded into the ferrule that fastens the eraser to the pencil shaft; making the pencil shaft octagonal so that it's comfortable to use but will not roll off a table—the list of creative insights represented by the pencil is endless.

This realization suggests an even deeper point. Every material that we today classify as a resource was at one time in our history worthless or downright undesirable. Not until human creativity goes to work does any physical thing become useful and valuable. Resources don't exist without human creativity.

Consider, for example, petroleum. People living in what is now Pennsylvania in, say, the year 1200 likely considered the crude oil that bubbled up in streams a nuisance: it likely contaminated their drinking water. Better for them that it disappear. Oil certainly was no great source of wealth to American Indians.

Crude oil became a resource only when someone first creatively figured out that it can be used to satisfy human wants. And even then our ability to use it became a reality only because many other people creatively devised each of the various tools and processes necessary for extracting and refining crude oil.

Indeed, that seemingly most obvious resource, land, was for most of human history almost valueless. Humans have been around for 50,000 years. And yet agriculture is only 10,000 years old. Thus, for 80 percent of our existence we were unaware of the benefits of planting and tending crops as a means of feeding ourselves.

The late Julian Simon never tired of reminding us that the human mind is the ultimate resource.* All the nonhuman things that we call "resources" are useful and valuable only because human creativity made them that way.

Human creativity is the only input to our prosperity that is indispensable. If tomorrow all crude oil dissolves, all computer software is erased by a virus, and all trees turn to stone, human creativity will find substitutes for these things. The short-run hardship might be real, but it would be neither permanent nor devastating. Not so if human creativity abruptly stops. Such a tragedy would mean not only no further advance for humanity; it would also mean rapid regress. The reason is that creativity is necessary for us to handle change and ignorance. Because tomorrow will be a bit different from today, and because we cannot fully anticipate all that we will encounter, creativity is necessary to deal with these surprises.

Anything that hampers human creativity is thus a curse to all humankind. Anything that encourages human creativity is a boon. □

*Julian L. Simon, *The Ultimate Resource 2* (Princeton, N.J.: Princeton University Press, 1996).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

Kyoto Protocol's Death Is a Tragedy?

It Just Ain't So!

Last November was a bad month for the Greens. While the battle to save their most important political leader raged in Tallahassee, the battle to resurrect their most important international initiative raged in The Hague. There, representatives from 180 nations fought desperately to save the Kyoto Protocol—the 1997 global-warming treaty—from political oblivion. The meeting in The Hague fell apart on Thanksgiving Day, but Americans were too stuffed with turkey and chads to pay events there much notice. Although the Greens bravely speak of yet more summits and more negotiations to come, all the political defibrillators in the world won't revive this agreement.

The Kyoto Protocol obligated the industrialized nations to reduce their industrial greenhouse-gas emissions to 7 percent below their 1990 level by 2012, a stipulation that translates into a 33–40 percent reduction in current emissions. Yet the Protocol never spelled out exactly how the signature nations could go about accomplishing this within the framework of the treaty. Until that's resolved, no Senate in its right mind would sign on to such an agreement. Thus, the never-ending roundtable of postnegotiation negotiations.

The Clinton-Gore team knew full well that Americans aren't about to swallow the steep energy taxes levied by European governments or accept their economic equivalent—onerous greenhouse-gas emission restrictions via regulation. So they frantically tried to negotiate less painful mechanisms to comply with the Protocol. International emissions trading, long championed by the Clinton administration, would indeed significantly reduce compliance costs, but European Green hostility to anything that even faintly smells of capitalism left that option a nonstarter.

The Clinton-Gore team therefore went to The Hague with another idea; sequestration. Why not allow nations to offset their emissions by increasing the storage capacity of natural carbon sinks? After all, the net effect of reducing greenhouse-gas emissions by 15 percent is the same as increasing the terrestrial absorption of greenhouse gases by 15 percent, and it's a lot cheaper. Moreover, adopting sequestration strategies has the secondary advantage (from the environmentalists' perspective) of increasing the global expanse of forests and related ecosystems. The Europeans, however, reacted as if the American plan were some sort of Satanic subterfuge, and the talks collapsed in acrimony.

This decade-long political dance surrounding global warming has now made a few things perfectly clear.

First, the Green lobby is primarily interested in reducing domestic fossil-fuel consumption, not in reducing greenhouse-gas buildup per se. They're not about to let the industrialized nations off the hook by opening the door to compliance strategies that subvert their campaign to remake those communities in their own primitivist image.

Second, symbols count far more than substance. According to British climatologist Tom Wigley, the über-alarmist of the Kyoto camp, the Protocol signed in 1997 would only reduce global temperatures by 0.13 degrees Fahrenheit below where they otherwise would be by the year 2050. To actually *stop* the warming would require an infinitely more radical restructuring of industrial society.

Why then this holy crusade for a treaty that—if you accept the global warming hypothesis—would do virtually no good whatsoever? Because the treaty is a *symbol* of our willingness to act, not a credible action plan itself.

Finally, Green politicians are *not* primarily

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

interested in achieving serious greenhouse-gas emission controls. They *are* primarily interested in posturing and posing for domestic constituents. As long as the Green lobby refuses to punish political champions who fail to deliver on their agenda, politicians thought to be "fighting the good fight" are just as well off, and maybe better off, than politicians who actually *win* the good fight.

Since concrete emission restrictions are hard to deliver and are by necessity products of messy compromises that might anger their base, there are good reasons for Green politicians to content themselves with hot rhetoric and symbolic gestures of concern rather than with accomplishing anything. That's particularly true when there are potentially real costs to these programs that could quite possibly trigger a terrific political backlash against their proponents if they were ever put in place.

Symbolic Gestures

The first two observations aren't particularly remarkable to dedicated public-policy observers, but the last one might well startle some. Yet political scientist David Mayhew of Yale University has identified this phenomenon time and time again. In his magisterial treatise titled *Congress: The Electoral Connection* (Yale University Press, 1974), Mayhew points out, for instance, that for all the *Sturm und Drang* surrounding the Vietnam War, the peace movement in Congress was remarkably lethargic. Still, antiwar voters were no less mobilized and valuable because of it. Ronald Reagan's frequent rhetorical flourishes on behalf of the right-to-life movement and occasional symbolic gestures of support were enough to lock it into his political coalition. That support would have been no more valuable had he actually rolled back abortion rights. In fact, the inevitable backlash would have reduced the value of that support.

In the final analysis, there's only one way to reduce industrial greenhouse-gas emissions: raise the price of fossil fuel consumption. And, if we're serious about reducing greenhouse gas buildup in the atmosphere, we'd have to increase prices to the point where few if any of us would ever again voluntarily buy gasoline or coal-fired electricity.

Now ask yourself: when was the last time that swing voters in this country (the only voters that really matter to politicians) voluntarily embraced truly significant and identifiable economic burdens in order to alleviate problems that might be confronted five or ten decades hence? Answer: never. The looming catastrophe surrounding Social Security, for instance, tells us all we need to know about the willingness of the American public to sacrifice in any significant manner for future generations.

The Green lobby knows this, which is why they push not energy taxes but energy efficiency, renewable-energy subsidies, and a whole host of programs that make no sense from a global-warming perspective, but nonetheless advance long-standing movement agendas. Mandatory energy conservation and efficiency improvements, for instance, serve primarily to reduce the marginal cost of energy-related services. But as any economist can tell you, reducing the marginal cost of something when demand is elastic will increase consumption. This is true in spades in the energy market. Increase the fuel efficiency of cars and watch vehicle miles traveled shoot through the skies. Reduce the cost of running air conditioners in the summer and watch people turn the thermostat down further during hot July afternoons.

The Kyoto Protocol may be dead, but it was only a symbol. New symbols will inevitably be found. Yet the policy it symbolizes—a serious global effort to reduce greenhouse-gas emissions—never had a chance in the first place. Global warming will still be marshaled to justify this or that Green program or this or that rent-seeking operation in Washington, but the Green campaign for a "radical transformation of society" (Al Gore's words) died its thousandth death in The Hague this November.

—Jerry Taylor
Director, Natural Resource Studies
Cato Institute
(jtaylor@cato.org)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

The Luckiest Generation

by W. Michael Cox and Richard Alm

Meet the Luckiest Generation.

When it comes to the material facts of life, the young men and women coming of age at the start of the new millennium are better off than any previous generation. And, perhaps even more important, there are rock-solid reasons to be sure this generation will continue to fare better in the years and decades to come.

Predictions of a rosy future for today's youth run counter to the pessimistic posturing of those who still argue that calamity lies just over the horizon, despite nearly two decades of strong economic growth. When it comes to America's future, these pessimists paint a distressing picture of meager job prospects, growing income inequality, and heavier tax burdens. The nation's economic failure, they say, will condemn today's young people to the sad fate of being the first generation in history not to live as well as their parents.

If this scenario were to play out, it would be a historic reversal of fortunes for the nation. America's free-enterprise system has had its ups and downs—including, of course, the painful years of the Great Depression. But the dominant theme of the past 225 years hasn't been failure; it's been success, with each generation of Americans better off than the one before it.

W. Michael Cox, senior vice president and chief economist at the Federal Reserve Bank of Dallas, and Richard Alm, a business writer, are co-authors of Myths of Rich and Poor: Why We're Better Off Than We Think.

Yet even in the best of times, there has never been a shortage of doomsayers and fear mongers, each hawking his latest book or theory about the coming depression.

Don't buy it.

America's good times aren't at an end, not by a long shot. Today's young Americans are entering their adult years with a big head start in living standards. A typical college student arrives on campus with household possessions that his parents often didn't acquire until they were 40 or even 50 years old.

The best, though, is yet to come. Throughout the rest of their lives, members of this generation will reap the benefits of a dynamic capitalist economy that creates millions of good jobs every year, offers unlimited opportunities, and routinely delivers new, better, and cheaper products to consumers.

A Summer Job's Shopping Spree

Jobs and innovations yet to come are, by their very nature, speculative. Today's prosperity, though, is right before our eyes. Indeed, the birthright of the Luckiest Generation is a consumer paradise well beyond the grasp of its members' parents and grandparents.

The summer job, a rite of passage involving ten or so weeks of work between the end of one school year and the start of another, provides a useful starting point for looking at the prospects of today's young people. Taking a job at the minimum wage, a worker can easi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ly pocket $2,000 over the summer, with only a modest tax bite.

The earnings of one summer's employment pack quite a lot of buying power. The money would be enough to fill a dormitory room or small apartment with all kinds of gadgets and gizmos—with $10 left over for a pizza. (See table.)

The hypothetical shopping list, based on prices offered on the Internet or in the daily newspaper, might start with a personal computer, the signature invention of our times. A powerful Compaq model with monitor, modem, color printer, keyboard, and mouse sells for $509.

After that, the budget could to extended to include a $299 Sony DVD player, a $230 Palm IIIx organizer, a $119 19-inch color television, and a $70 compact-disc player. Creature comforts shouldn't be ignored, so how about a DeLonghi coffee and cappuccino maker for $100 and a small refrigerator for $89?

The rest of the hypothetical buying spree ranges from the prosaic, such as a table lamp, blender, and ironing board, to the cutting edge, such as a five-motor seat massager and digital camera. And there's still money for a few additional necessities—a telephone for $49, a hand-held vacuum for $20, a toaster oven for $36, an electric toothbrush for $30, and an alarm clock for $17.

The total bill: $1,990.

Sound far-fetched? If anything, the example underestimates what today's young Americans can afford. Data recently released by the U.S. Department of Labor show that 71 percent of working Americans between 15 and 17 years old earned more than the minimum wage of $5.15 an hour in 1998. With the jobless rate for teenagers at its lowest point since 1969 and with help-wanted signs in just about every window, the vast majority of summertime workers probably are earning well above the minimum wage.

What a Summer Job Buys Today—and Bought Then

Today

Product	Cost
Compaq Internet PC*	$ 509
Alarm clock	17
19" color television	119
VCR with remote	67
DVD player	299
Stereo with remote	70
Cordless telephone	49
1.7 cu. ft. refrigerator	89
Toaster oven	36
Compact microwave oven	49
Palm IIIx	230
Fax machine	119
Electric toothbrush	30
Dirt Devil hand vacuum	20
Coffee/cappuccino maker	100
Digital camera	79
10-speed blender	20
Seat massager	25
Ironing board & iron	33
Table lamp	30
	$1,990

1950

Product	Cost
Black & white television	$180
Clock radio	37
Record player	37
Brownie camera	28
	$282

1970

Product	Cost
Black & white television	$150
Clock radio	20
Used typewriter	59
Electronic adding machine	99
Stereo (with record player)	290
	$618

*Includes: 466 MHz, 12 GB hard drive, 64 MB SDRAM, 15" monitor, color printer, fax modem, mouse, and keyboard.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Purchasing Power in the Past

Previous generations didn't have it as good. Just compare the cornucopia of consumer goods readily available to today's young people with what their parents and grandparents could buy with the money from a summer job.

Working at the prevailing minimum wage in 1970, a student would earn $618. The money would be exhausted in buying a $290 stereo record player, a $150 black-and-white television, a $99 electronic adding machine, a $59 used typewriter, and a $20 clock radio. (See table.)

Present-day students are better off in several ways. First, they can purchase more goods and services, outdoing the 1970 student with a refrigerator, blender, iron, vacuum, lamp, and other goodies. Second, they can buy products that weren't available a generation ago at any price—most notably computers, fax machines, and VCRs. Third, many of the products that perform the same functions are now a lot better, just as black-and-white televisions pale before color models.

One generation further back in time, the material rewards from summer work were even less. With $282 from a minimum-wage job in the summer of 1950, a young worker could purchase a $180 black-and-white television, a $37 record player, a $37 clock radio, and a $28 Brownie camera. (See table.) That's it.

The earnings from today's summer job go so far largely because of a hidden bonus from the capitalist system. Over time, wages tend to rise faster than prices, so the cost of what we buy in terms of hours worked becomes cheaper.

A hundred kilowatts of electricity, for example, required 2 hours of work at the average manufacturing wage in 1950. By the end of the 1990s, the work-time price had fallen to 38 minutes. A hundred miles of air travel declined from 2 hours, 43 minutes in 1960 to 1 hour, 2 minutes in today's economy.

Over the past few generations, such progress in the purchasing power of our work time has occurred over a broad range of products—from a gallon of milk to a Big Mac. The trend is particularly strong in manufactured goods, where productivity is rising rapidly. Actual prices of computers, VCRs, cellular telephones, fax machines, and other electronic products are falling. Factor in the increase in wages, and consumer affordability improves by leaps and bounds.

In the early 1970s, it took a month of work to afford a color television. Now, it's just three days. In a quarter century, the work-time price of a cellular telephone plunged 97 percent. A hand-held calculator now costs 45 minutes on the job, down from 31 hours in 1972.

Better Jobs, Bigger Paychecks

The three hypothetical students' purchases from their summer income neatly encapsulate the experience of most Americans over the past three generations. The country has witnessed a tremendous surge in living standards.

The Americans in college today begin adult life far ahead of previous generations. How could they end up worse off for the rest of their lives? It seems an absurd notion.

A dorm room or apartment full of consumer goods, of course, doesn't necessarily translate into a lifetime of improving living standards. The promise of future prosperity for today's young people lies in the U.S. economy's proven ability to deliver the goods—and the services, too.

It's the most powerful economic engine in history—a free, open economy that harnesses individual initiative. Even in seemingly tranquil times, this free-enterprise system churns onward and upward in a relentless quest for newer, better, and cheaper.

"Creative destruction"—to borrow Joseph Schumpeter's famous phrase—generates continual progress, each generation living better than the one before it. Along the way, new products emerge, new technologies arrive, new industries eclipse existing ones, new jobs replace old ones, with paychecks getting fatter and working conditions getting better.

In the past decade or so, the U.S. economy percolated with creative destruction, providing employment for an additional 18 million workers. The driving force behind the spurt of job creation has been a New Economy

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

spawned by the spread of the microprocessor, a 1970s invention that reached critical mass in the 1990s. Tiny but increasingly powerful electronic "brains" kicked off a wave of rapid progress—in computers, consumer electronics, telecommunications, software, the Internet, and even medicine.

The economy's 21st-century growth will come from the same catalyst that shaped most of American history—invention and innovation. The country now sits on a mother lode of technology, a potential source of progress that dwarfs anything we've known in the past.

What are these new technologies?

They are many and varied, but a few examples will serve as proxies for a dizzying array of science and invention. Increasingly powerful computers are multiplying the potential applications of artificial intelligence and virtual reality. At the same time, breakthroughs in recognition technology are leading to machines that detect shapes, sounds, and even smells.

Advances in robotics are producing machines capable of fighting fires or obeying doctors' orders in an operating room. Noise-reduction technology is using the physical properties of sound waves to make the environment quieter and cell-phone transmissions clearer.

Nanotechnology, the manipulation of matter at the molecular level, makes possible more powerful superconductors and frictionless bearings. Micromachines, some the width of a human hair, are starting to work inside the human body.

The deciphering of human DNA promises great advances in medicine and biology. Outer space offers untold commercial possibilities, some of which are already emerging from the Global Positioning System now in place.

In and of itself, technology doesn't produce economic growth. It's the task of the economic system to translate advances of labs and think tanks into marketable products that will spawn new businesses, industries, and jobs.

The strength of America's economy is its unmatched ability to put technology to work quickly and efficiently. Free enterprise encourages innovation, rewards risk-taking, and gives individuals the freedom to pursue their own destinies. This is what spurs progress and improves living standards.

In this environment, it's a good bet that job opportunities will be better in the future than they are now. Today's young people are steeped in computer skills, the Internet, and other technologies—making them scarce resources in an economy that's increasingly globalized.

It's an old story in America: Education and ability translate into higher wages, more benefits, and better working conditions. It worked for previous generations. It will work for the generation just now coming on the scene.

An Even Luckier Generation

Those peddling pessimism to today's young people are wrong—spectacularly so. This will not be the first generation to end up worse off than the one that came before it.

Quite the contrary. The prospects for America's future are bright not bleak. Our capitalist system will put an abundance of science and technology to work. It will spur innovation, spawn new industries, create well-paying jobs, increase productivity, and drive down consumer prices.

There's other good news for today's young Americans, not all of it purely economic. The demise of the Cold War lessens the prospect of a nuclear annihilation. Retirement is coming earlier and lasting longer. Work is becoming more flexible, providing the opportunity for leisure and recreation.

The booming economy is producing record budget surpluses that are easing fears of ballooning interest payments gobbling up future tax payments. The national debt might even be paid off before the Luckiest Generation hits middle age.

Add it all up. When it comes to their economic prospects, today's young Americans are the Luckiest Generation in history—at least until their children grow up and forge an even luckier one. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

Oh, What a Piece of Work Is a Man

by Ted Roberts

Will, the manager of the new Globe Theater in London, was frustrated. Tickets were priced alluringly cheap, but he made a nice profit on ale at 2 shillings a mug. However, the customers insisted on smuggling in their own ale, a violation of the rules posted plainly on the big front door. And if he patted them down, the wily first nighters hid it in the bunting around their kids. And if he searched the kids, the playgoers were quick to pour a couple quarts down their own gullets, where it escaped both detection and confiscation. That's when Will, a man for all seasons who also dabbled in scriptwriting, came up with one of his signature lines: "What a piece of work is a man! . . . how infinite in faculty!" Hmmm—not bad, he thought. I'll use it in my new play, *Hamlet*.

The Bard got it right, as usual. The ingenuity of the human spirit to finesse any form of economic or political restriction is awe-inspiring. Lawyers and legislators chew their pencils in frustration. We dodge the tax collector and rule-makers as lambs flee the shearsman. William Shakespeare, no slouch at reading the human heart, recognized this talent half a millennium ago.

Prohibition is the classic example. Guys chewing on fat cigars and lugging Thompson submachine guns also read the human heart. And even though they thought the Avon was a cosmetic line and their idea of a midsummer night's dream was a full speakeasy on a July weekend, they were not dumb. They got rich on slippery evasions of the Volstead Act.

"Warning: do not mix this canister with four quarts of water and the spices in the attached envelope labeled A or it will turn into a 90-proof alcoholic beverage with a remarkable resemblance to gin. If you prefer a remarkable resemblance to bourbon, use the envelope labeled B." Warning labels five decades before the government got in the business! Another triumph for human ingenuity.

Then there's the drug war—one Waterloo after another. Billions wasted. And somehow, illegal substances are as ubiquitous as dirt. Craving consumers will buy 'em, grow 'em, steal 'em, or manufacture 'em.

Whatever Lola wants, Lola gets. Legislation be damned.

And nobody doubts we humans clutch our capital to our bosom like a bear holding a honeycomb.

City income tax? Well, we'll just live in the 'burbs.

Massachusetts turns into Taxachusetts? Move to New Hampshire.

Federal income-tax penalties on marrieds? OK, pair up, but skip the preacher and the courthouse paperwork.

Forty percent surcharge on out-of-state tuitions? "Oh, Bobby lives with his grandparents, in state."

Only one video poker machine to a room? Call a cubicle a room.

Ted Roberts is a freelance writer in Huntsville, Alabama, who often writes on public-policy issues.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

It is infinite—the ability of the human mind to churn out evasions to state confiscation of our capital or choices.

Since the Days of Eden

Homo nontaxibus has been at it since Eden. It began in the Garden when the Master Landscaper banned that apple. The first attempt at legislation. One rule! And it was too much for our forebears.

Now consider that our Creator levied a heavy tax on sexual pleasure in the form of a helpless miniature of the species, totally dependent on the pleasure seekers. Result: an irksome restriction on movement, a drain on family resources. He experimented with various reproductive concepts on wolves, spiders, snakes, fruit flies, and amoebas. They flopped. After the first couple of months they all were dwindling species. And He knew why. No incentive for the bored creatures! (Especially the amoebas. They divided sparingly, joylessly, infrequently.)

Why not, thought the Grand Designer, combine the pursuit of pleasure (he'd placed that glowing ember in the heart of every living creature) with the procreation requirement? And so he did. Thereupon, the act of manufacturing a new goat became as enjoyable to the astonished and goatish partners as munching the sweet green grass on the hillside.

It could have been otherwise. He who hung the sun in the sky and set the planets spinning could have simply preprogrammed the replenishment of the species; no problem, considering his authority and considering the arsenal of infinite physiological mechanisms at his disposal. He could have decreed that kids drop out of goats—male or female—as automatically as acorns pop up on oak trees.

But the new pleasure/procreation concept worked great. Wolves went around grinning with joy, and plenty of baby wolves cuddled up to their furry mother in the caves of the new creation. And of course, the cubs sucked lustily at the milky faucets of mother wolf—energized to fuel up by the same pleasure principle that had engendered them.

In that idyllic garden where every breath brought ecstasy, the reproductive scheme worked well. The world's first newlyweds duly replenished themselves with notorious Cain, gentle Abel, and obscure Seth.

But after their exile to the thorny outback, life was cruel, and our exiled ancestors needed all the rapture they could get. So they deftly learned how to slip-slide this onerous tax on love. Man is the only animal who can make love and not incur the debt of parenthood! A trick the beasts never mastered. The whoopee-but-no-goat concept evades them until this very day.

But we nimble hedonists know how to grab the golden ring-a-ding-ding and not add another bawling, helpless passenger to the merry-go-round. With only mild exercise of their imagination our ancestors found many, many paths to sexual satisfaction with no price in the form of a dependent. An epic evasion of cost! So Regulators, Central Planners, Tax Collectors, Social Engineers, don't waste your time carving new commandments. The human branch of the animal kingdom outwitted, you might say, the Creator of its own wit. Bureaucrats beware. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

The Anti-Capitalist Children of Capitalism

by Alex Moseley

The irony of the anti-capitalist protests that have plagued gatherings of world leaders in Seattle and Prague, and that threaten to disrupt any future such meetings, is that despite the atavism of the activists' ideology, their means depend on the very economic system they profess to hate. Essentially, the rioters are the spoiled surplus population of growing and healthy economies: men and women freed from the production process by the market economy who thus have time on their hands to express their own dissatisfactions with the world.

Protests against the market system are not new. Historically, local riots have often targeted unfair practices, which unknowingly were generated by locally enforced legislation that hampered the market, or by the undeveloped state of those markets, or by an inflation promoted by more distant authorities bent on clandestinely securing more funds for their treasuries without having to raise taxes.

In the present extension of the division of labor, which transcends most of the world's nations and production areas, ruptures in the market system are more often created by governments bent on short-term enrichment or financial gain than by international companies setting up new production centers. Rather than exploiting workers, multinational companies generate new opportunities and often raise local living standards. The addition of any new company into a market involves attracting workers from other industries by offering higher wages or better working conditions. This in turn produces beneficial changes in the older industries to keep workers from leaving. Where trade is free, the locals generally benefit (depending on their own capacity to integrate into extended commercial activities). But sometimes governments engage in collusive activities that hamper the free flow of resources, and thereby create their own homegrown injustices that may rightly be criticized—yet the fault there lies with government policies and not trade practices.

Riots may have a variety of local subplots. That is, they may possess a plurality of motives involving locals' prejudices toward foreign merchants, the unfair application of local laws, inefficient government, existing protected industries, and so on. Nonetheless, the global plot should not be forgotten. As the market economy expanded so phenomenally over the last two centuries, it dawned on many intellectuals, critics, and reformers that local industries might indeed be affected by increasingly distant or diffuse sources. Wars in distant nations, the opening up of new markets thousands of miles away, and technological changes on the other side of the world could impose benefits, or costs, on people who were hardly aware of the existence of such places. (A good example is the effect of the American Civil War on the British textile

Alex Moseley (Alexander.Moseley@ukgateway.net) has taught economics at the university level and is currently finishing two books for publication.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

industry.) Some critics reacted as strongly to this realization as previous thinkers did when watching foreign merchants entering the local markets or harbors; such fears were prompted by both disdain for the foreigner and fear of what changes might be forthcoming.

Yet as globalization continues apace the disruption to the local economy diminishes. Compared to the famines and economic devastation of wars, local piracy, and whimsical government intervention, the cost of continual adaptation to international markets is small—and increasingly fluid. Local interventions may hamper the process, but on the whole the pouring of capital and resources into hitherto undeveloped or relatively undeveloped areas has only been beneficial. And not just in higher wages either. The expansion of a locality's capital base also deepens and broadens the local skill base, so if the markets should change, the population would be more able to adapt and would certainly be less dependent on one industry or specialization.

Fear of Change

From Martin Luther's bombastic and ascetic Protestantism (his notion that rough woolen clothes should be good enough for his native sixteenth-century Germans) to Marx's general critique of capitalism as a phase of class warfare, the fear of change remains a perennial concern in many intellectuals' derision of the developments wrought by global markets. Fear of change and of unknown principles that circumscribe human life motivates rituals, superstitions, *angst*, in response to one's own perceived fragility in the world. What better solution than to seek to impose one's will—one's reason—on the unseen forces that frame one's destiny?

For a few centuries now, such a conclusion regarding the principles of physics has been rightfully regarded as ludicrous. Yet many have yet to understand the principles that guide man's most important aspect of social life—the principles of trade. Market forces, cry the socialists, ought to be harnessed or eliminated—profit should be abandoned in favor of people. But what is interesting today is that the present protesters who come together do so on the back of capitalism's own and highly technological implements—the Internet, the mobile phone, or at least the fax or the newspaper—all products of the market system of private enterprise they wish to overthrow. Do they seriously believe such products can be produced where there are no profits and losses to indicate where resources can best meet consumers' needs? No centrally planned society, never mind an anarchic community of "New Age Travelers" or Internet socialists, has produced anything of value to the rest of humanity. Yet in their myopia, they do not see the glorious but silent removal of the fears and prejudices that have traditionally gripped men's minds for thousands of years as the market system expands.

Anti-capitalist crusades may complement local senses of disorder or economic vulnerability. They may offer rationalizations providing a sense of universality or comprehension—that the local issues are in effect part of a global conspiracy against them, which, of course, they can change through local, direct action: the new revolution begins here! And the shop window becomes an easy iconic scapegoat to be smashed.

The rhetoric of the organizers rings with the words of Lenin's fury against the industrialization of the nineteenth century—which then was gradually but noticeably improving life in his adopted Russia. The leaders of the communist revolution were then able to harness the profits of capitalism for their crusade against the nascent economic freedoms bubbling across Russia. Today, their intellectual descendants have once again harnessed the very products of capitalism that have increased productivity and hence the wealth of millions, and which most certainly have brought the world closer together.

Leisure Commonplace

A principle of wealth production is that it enables us to pursue more leisure activities than our ancestors, for whom leisure, if experienced at all, remained a luxury. The massive transformations generated by increasingly global markets have produced undreamed-of products and freed time for leisurely pur-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

suits—and not just for the lucky few. The industrious poor of the Western nations, whose numbers were once particularly vulnerable to local famines and plagues, may now enjoy conveniences and pursuits not even the richest Victorians could have imagined. They do so because they are able to reap the rewards of increased productivity and concomitant wage increases—because they are part of the international market, and not subject to the vagaries of local market changes.

Globalization, when it can flourish in the absence of local, arduous restrictions, fosters stability: companies may come and go or change name, but the trained and educated skill base remains for others to tap into.

Back to numbers: the capitalist world has produced a massive increase in the numbers of people the world's economies can support. As productivity increases, the growth in population reflects a successful expansion of man's ability to survive. Unemployment, which once would have meant a deleterious impoverishment and corresponding malnourishment with reduced life expectancies, in the West at least can now be supported by the general pool of wealth residing in families and in state budgets (for better or worse!).

The intellectually infused mobile-phone Marxists and Internet intelligentsia, the new dot-com socialists of the 21st century, are certainly a spoiled bunch of idealistic youth brought up on the ideals of a free education and a free life: of computers and games for all—*viva la revolución!* they cry over the Internet (and it is worth checking some of the sites out). Smash the capitalist system, they scream in songs produced in hi-tech recording studios, played over radio and Net communications—well, why don't they begin with their own wireless phones, personal organizers, computers, Internet sites, and e-mails? Give them up! Show the world the way back to the true nature of communism, and of course to poverty. Give up designer clothes, printed books even, and hair dyed by virtue of the complexities of the free market that offer fixing chemicals and dyes unheard before the revolution. Pick up your hand-carved wooden implements and inscribe your messages in your homemade inks from the natural dyes found in the weeds by the sides of the road, and oh, by the way, walk to the next IMF meeting on the other side of the world as the ancient Christian pilgrims used to do.

Not many takers? Not surprising: few would wish to give up their Internet-induced revolution, their trappings of luxury and wealth they take for granted. Few would wish to truly give up modern housing with constant water and heat on demand—but that's what their demands entail. □

The apple icon identifies articles that are appropriate for teaching students several major subjects—including economics, history, government, philosophy, and current issues.

We also provide sample lesson plans for these articles on our Web site **www.fee.org** and in written form. Professors, teachers, and homeschooling parents need only to visit our Web site or request written lesson plans to take advantage of this unique service.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

Keep the Electoral College

Should the Electoral College be abolished? Last year's presidential election raised the question once again, but it also answered it with an emphatic NO! The framers of the Constitution knew precisely what they were doing when they established the system for electing presidents, which is more than anyone can say about the people who spent weeks last fall counting those celebrated dimpled and pregnant chads in Florida.

The 2000 election was the 53rd since George Washington was chosen in 1792. Even on the three previous occasions when a split decision between the popular and electoral votes occurred, the Electoral College was the mechanism for a decisive conclusion to an election. If popular votes alone determined the outcome, a dozen presidential elections would have been close enough for the result to be contested without end, or at least without an end that most Americans could see as fair and honest. What dragged out the contest between Bush and Gore were the partisan lawsuits and the tortuous methods employed to recount votes or decipher voter "intent."

Indeed, the closeness of the 2000 election in so many places—multiple states as well as the nation as a whole—suggests that we should thank our lucky stars the framers gave us the system we have.

It is precisely *because* of the Electoral College that the recounting of votes focused on one state instead of many. If the popular vote decided the winner, we would still be bogged down in questionable recounts in dozens, if not hundreds, of counties across the country. The potential for mistakes and abuse would have been enormously compounded, and the cloud over the eventual winner would have been all the more dark and ominous.

Some say that it is inherently unfair for a candidate to win in the Electoral College and become president if *another* candidate actually has more popular votes. It should be noted at the outset that it is extremely unlikely this could ever happen when the popular vote margin is wide. A narrow margin in the popular vote—narrow enough to be wiped out with a few vote-rigging recounts—cries out for a decisive conclusion, and that's what the Electoral College offers.

But whether the losing candidate's popular-vote victory is large or small, the fact that a win in the Electoral College is all that finally matters is not unfair. It's not unfair that little Delaware gets just as many senators as big California. It's not unfair that 34-year-olds can't become president or that a simple majority in the Congress is insufficient to approve a treaty, convict an impeached president, or amend the Constitution. Nor is it unfair that the winner of the World Series is the team that wins four games, not necessarily the one that has the most runs. These are the rules of the game, and in the case of the Electoral College, the rules were written for some very good reasons.

Lawrence Reed (Reed@mackinac.org) is president of the Mackinac Center for Public Policy (www.mackinac.org), a free-market research and educational organization in Midland, Michigan, and chairman of FEE's Board of Trustees.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

At the 1787 Constitutional Convention, some delegates wanted the popular vote to elect the president. Others argued that Congress should make the pick. The smaller, less populated states feared, correctly, that under either of those options they would be swallowed up or ignored by the larger, more populous states. The Electoral College represented not only a compromise to accommodate the concerns of the small states, but also a singular act of genius on the part of the framers. They did not reject the notion of a truly "democratic" election; they left the matter to the states. As it turned out, a democratic election determines each state's vote for president in the Electoral College. The institution serves as a pillar of our federal system of government, wherein the states—which created the central government in the first place—do not dissolve into an amorphous national mass but rather retain a substantial identity and hence a check on unbridled power in Washington.

Moreover, the fact that a candidate must win a majority in the Electoral College means that he cannot focus all his resources on only a few large states. He must fashion a truly national appeal, as opposed to a divisive regional one. That helps assure that the winner will enjoy an added measure of support and legitimacy that derives from a relatively broad base.

Thankfully, the question of abolishing the Electoral College is moot because the hurdles a constitutional amendment has to jump are simply too high. Too many small states would block it, as they have before.

One reform that does make sense is one requiring that electors vote for the candidate who won their respective states. The framers assumed that they would, but left it to the states to settle the details. Twenty-one jurisdictions (including the District of Columbia) have such a requirement, but 30 do not.

Finally, it may be instructive to everyone who followed the recent election controversy to consider a page from presidential history.

The last time a close election produced a split decision in the popular vote and the Electoral College was 1888. Grover Cleveland, the incumbent Democratic president, had been through a close one once before. In 1884, he won New York by just 1,200 votes—and with it, the presidency—but a switch of barely 600 votes in that one state alone would have swung the election to Republican James G. Blaine. Four years later, Cleveland bested Benjamin Harrison by about 100,000 votes out of 11 million cast nationwide but he lost in the Electoral College 233-168. Because the contest was tight in a number of states, a slight shift in the popular vote plurality would have easily won it all for the incumbent.

One reason the American people accepted the 1888 outcome was that the federal government was not so much a presence in their lives as today's government is in ours. Cut Washington down to its proper size, and who wins won't be of earthshaking consequence.

Cleveland handled his 1888 defeat with dignity—no recounts, no lawsuits, no spin. Alyn Brodsky, in his superb biography, *Grover Cleveland: A Study in Character*, records that when reporters asked to what he ascribed his defeat, Cleveland smiled and said, "It was mainly because the other party had the most votes." The "votes" to which he referred were the ones that really matter under the Constitution—*Electoral College* votes. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

The Never-Ending Welfare Debate

by Norman Barry

After a long struggle, a "revolutionary" welfare reform bill, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), finally became law in 1996. It must be some sort of success since former President Clinton has boasted of *his* solving of a problem that had bedeviled American public life for at least 30 years. But what kind of reform is it and what ideological (theoretical) principles underlie it?

The answer to the last question is crucially important since any future interventions will be governed by some sort of theoretical understanding of the nature and causation of welfare problems and an appreciation of the legitimate role of the federal government and the states in their resolution. Interestingly, the left contributed little to the debate that began in the late 1970s (although William Julius Wilson's *The Truly Disadvantaged* might be an exception). While Michael Harrington's *The Other America* might have been the unacknowledged inspiration for Lyndon Johnson's Great Society, it was Charles Murray's *Losing Ground* and two books by Lawrence Mead, *Beyond Entitlement* and *The New Politics of Poverty,* that provided the theoretical and statistical weaponry for a sustained assault on that program, leading to the 1996 reform.

But formidable though the artillery is, it was not always aimed at the same target, and the solutions suggested were by no means the same. Charles Murray's critique of welfare (and also the work of Michael Tanner) is in the classical-liberal tradition, which regards any state involvement in welfare as counterproductive (even malign) in creating a whole generation that had never worked or participated fully in civil society, while Mead believes that government has a role in preparing and training persons for life in that society. For him, there can be no spontaneous regeneration of people already debilitated by decades of welfare. In effect, they must be gently coerced into virtue: "The solution to the work problem lies not in freedom but in governance."[1]

The first distinction to be made about welfare (and it is rarely made by Americans) is between the *institutional* and the *residual* welfare states.[2] The former refers to a wide range of collectively provided and universal services (financed by social insurance) covering poor relief, health, pensions, education, and more, while the latter is limited to cash payments exclusively targeted at the poor. America's welfare system, with the exception of Social Security and Medicare, is residual while Europe's is mainly institutional.

The problem with the institutional welfare state is its excessive cost and the reduction in liberty it produces, while the residual gener-

Norman Barry (Norman.barry@buckingham.ac.uk), a contributing editor of Ideas on Liberty, *is professor of social and political theory at the University of Buckingham in the UK. He is the author of* An Introduction to Modern Political Theory *(St. Martin's Press).*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ates behavioral disorder. In America the problem of welfare was never its cost (the costs of aid to the poor rarely exceeded 2 percent of public spending and only hit 4 percent if Medicaid is included). Old people on zero-priced health care and unfunded old-age pensions don't destroy their lives on sex, drugs, and rock 'n' roll, but in America the problem with primarily cash welfare was that it undermined the work ethic and produced a generation of people who had never been employed, encouraged (if not exactly caused) unmarried motherhood, wrecked families (or made it irrational to start them), and reduced the inner cities to Third World status.

How did this happen? The major cause was the vast expansion of the American welfare state (which began with the New Deal) under Johnson's Great Society of the 1960s. The problem of the Great Depression was the working poor and the vast increase in the unemployed. The problems then were not behavioral but *structural*: people were in distress through forces beyond their control (I leave aside the "macroeconomic" causes of the Depression and the inappropriate methods used to deal with it). But the welfare issues of the 1970s had little to do with economics and all to do with behavioral traits induced by social policy. Ironically the single policy held to be most responsible for social decay, Aid to Families with Dependent Children (AFDC), was originally a New Deal program, Aid to Dependent Children (ADC), contained in the Social Security Act (1935).

The differences are instructive. ADC was aimed at unfortunate women (widows or deserted wives) who were in no way welfare parasites, but rather were victims of unpropitious circumstances. The program was actually derived from "widows' pensions," which had been introduced by many states early in the twentieth century. It was based on the ideas that mothers should be encouraged to stay at home, bring up children, and relieve the labor market. But AFDC (1961) became something entirely different. It encouraged welfare dependency, poverty, unmarried motherhood, *and* nonwork; this time round people thought staying at home was a bad thing. Although it certainly was not generous, changes in the law (notably the abolition of the "man in the house rule" by a Supreme Court decision, *King v. Smith*, 1968) made access to it easy.

Although arithmetically most AFDC recipients were white, it had a disproportionate effect on the black community, where it almost destroyed the family. Between 1962 and 1972 the number of AFDC families tripled from 1 million to 3 million. By 1994, 66 percent of AFDC families were headed by never-married mothers; in 1975 the figure was only 33 percent. In certain inner-city areas the illegitimacy rate for black births was 80 percent (in 1950 the figure for the black community overall was 20 percent). Thirty percent of all welfare recipients go on welfare because of unwed motherhood. This was moral hazard on the grand scale. Of course, there were many other counterproductive schemes produced by the Great Society, but the expanded AFDC was the most notorious.

What was particularly distressing from a conservative and moralistic point of view was that there was little or no aid for the poor of intact families. A welfare culture was being created that discouraged the maintenance of the traditional American values of work and personal responsibility. In fact, the creation of the National Welfare Rights Organization (1970) did precisely the opposite; it sedulously promoted welfarism and sought out welfare claimants.

Optimists versus Pessimists

The critical response to this was divided between classical liberals who thought that the withdrawal of all welfare would spontaneously generate the right values and pessimistic conservatives who saw a moral role for the state. Some libertarians clung to Milton Friedman's idea of a Negative Income Tax, despite the many flaws in his system,[3] and a somewhat diluted version of this, the Family Assistance Plan (FAP), was proposed by President Nixon in 1970, though it was defeated in Congress. Charles Murray actually produced some empirical evidence against it; it seemed to be particularly destructive of stable families and the work ethic, and it

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

breached that reciprocity between donor and recipient that many feel should underlie welfare. But at least FAP would have abolished AFDC as an entitlement and returned welfare to the states.

Mead's response to classical liberalism is instructive. He did not see the welfare problem as explicable in terms of simple cause and effect: that an increase in welfare automatically brought about more dependency and its complete removal would just as quickly eliminate the problem.[4] He showed that although the value of welfare began to decline in the 1970s, the numbers on welfare increased. Certainly the rise in illegitimacy seemed impervious to any laws of causality. But the oft-quoted figure of a 10 percent increase in AFDC correlating with an 8 percent decrease in marriage, and the massive increase in welfare dependency between 1989 and 1993, must have something to do with causality.

Mead argued that the immediate ending of welfare would produce vast numbers of impoverished people driven to crime, drugs, and prostitution; they would pose a threat to social order. He contended that the experience of welfare had produced people who fell outside the normal class structure; they were socially incompetent, lacked any kind of work skills, and were capable only of reproducing themselves, thus generating "cycles of poverty." Mead has always been a firm supporter of "workfare," under which welfare is dependent on recipients' fulfilling work requirements. Classical liberals thought this was just a waste of money.

It is clear that by the end of the 1980s the country was ready for substantial changes. Although surveys reveal that only 10 percent would have abolished welfare entirely, there was a general revulsion against the dependency that the current system was producing (not to mention crime and other social disorder). Most significant was the desire for something like Mead's work enforcement. The 1988 Family Support Act made a tentative move toward workfare, but it lacked proper enforcement power and was ineffective.

Much more significant were moves at the state level and via the governors' association to change the system in the localities. By the mid-1990s, 43 states had secured waivers (granted by the Department of Health and Human Services) from AFDC; this enabled them, for example, to compel unwed teenaged mothers to live with their parents and to deny welfare if an unmarried mother had more than one child. The prime mover in all this was Tommy Thompson, governor of Wisconsin: between 1987 and 1995 the state's AFDC rolls went down by a third. And in the country as a whole, families on welfare dropped by 14 percent. Between 1993 and 1997 caseloads fell by 26 percent. (In some states the drop was even bigger.)

The country was prepared, then, for more substantial reform. Clinton had promised on his election in 1992 to "end welfare as we know it" and had given to Congress in 1994 a rather tame bill (although even this would have put a time limit of two years on the receipt of AFDC). The bill that eventually passed (PRWORA) was signed by Clinton in 1996 after two earlier vetoes. The presidential election was only months away, and he knew that welfare reform was extremely popular and had secured considerable bipartisan support in Congress. But it owed much more to Mead's thinking on welfare than to classical liberalism.

Although superficially PRWORA is quite radical, in many ways it continues and formalizes at the federal level things that were already happening at state level. It sweeps away the major entitlement program, AFDC, and returns the bulk of welfare decision-making, and some financing, to the states. The states receive block grants, fixed until 2002, and are free to do what they like about welfare within certain important parameters set by Congress. AFDC has been replaced by Temporary Assistance to Needy Families (TANF), but this includes strict work requirements and time limits (two years in the first instance and no more than five years over a lifetime): the aim was to get the rolls reduced by half by this year. There are minor adjustments to things such as Medicaid and food stamps. But it certainly doesn't abolish welfare (though the statute envisages a reduction in spending of $155 billion over five years), and the aim of running it down over time has yet to be tested.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Has It Worked?

At first glance the new reform looks like a great success. The welfare rolls fell by 53 percent between 1993 and 1997, and 10 percent more people than those on the old AFDC have found unsubsidized jobs in the private sector. It is difficult to say whether the new figures are a result of the economic prosperity of recent years or a product of the rigor of the new welfare regime. Perhaps the new and *superficially* encouraging employment figures could be seen as an example of the "creaming" of the labor market; that is, already competent people on welfare are being recruited by astute employers to new and better paid (than welfare) positions.

Indeed, that was always the classical-liberal objection to workfare; jobs are taken up by those who would have worked anyway. It might be the case, then, that these workers are quickly attracted to employment, leaving Mead's "incompetents" to sink even lower. But the sum total of the improvements might be highly vulnerable to a downturn in the economy. Already observers have detected since 1998 a slowdown in the retreat from welfare. Still, some evidence for the success of the new welfare order can be gauged from the fact that during the early Reagan years 20 million new jobs were created, but the number of people on welfare rose by 13 percent. Nothing similar has happened in the last five years.

A scholarly, yet cautious and skeptical, analysis of the new system has been provided by the Cato Institute.[5] Lisa E. Oliphant doubts that the major aims of the reform have been achieved. There are still 3 million people on the welfare rolls, and of the people who have come off welfare (because of the time limit) between 30 and 40 percent have not entered regular employment. Just as in the old regime, there is a group of people who live on the margin of civil society, and without the support of AFDC or TANF it is not exactly clear what is happening to them now. One can only assume that they constitute the same underclass as before, surviving in a world of drugs, petty crime, and prostitution.

Also, these people probably find other forms of welfare. It seems that the 1996 reform has not produced a generation of self-sufficient, responsible agents able to take their place in market society; those who get jobs do not get very good ones, and fewer than 25 percent of former recipients stay in their jobs for more than a year. There has been a subsidized work program (worth $9 billion in the first four years of the reform), but it seems to have gone the way of failed initiatives in the past. Furthermore, far too many ex-welfare clients still cannot survive without the crutch of the state.

As Oliphant notes, the people who have left welfare are still living on state (and federal) benefits. The welfare state is not exhausted by AFDC and now TANF; there is still a whole network of state props (often cash). These include Medicaid, Food Stamps, housing subsidies, and child-care subsidies (though Mead wouldn't care about the cost of this since it does enable women to get back to work) and Supplemental Security Income. A little-publicized subsidy is the Earned Income Tax Credit: it not only accounts for half the income of welfare leavers but also acts as a powerful disincentive to do extra work because it leads to very high marginal tax rates. Oliphant concludes that there has been little progress toward true self-sufficiency since 1996. Indeed, that old bugbear of welfarism, unmarried motherhood, continues in its debilitating way, especially among teenagers.

Classical-liberal critiques of PRWORA remain as potent as when they were applied to the previous welfare system. It is not a root-and-branch reform but deals (admittedly radically) with the *after-effects* of welfare. It might be that all the states will use their new freedom to initiate truly innovative measures but this is unlikely. What is really required is the *prevention* of the descent into dependency, and this means making efforts to abolish the whole welfare system.

In a bold move, Michael Tanner suggests that it should be announced that from nine months and one day onward there will be no aid for mothers of *newly born* babies.[6] That's a decisive way of dealing with moral hazard. It does not at all follow that the eventual elim-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ination of welfare will lead to widespread suffering. America has a long and honorable tradition of charity, which was badly damaged by the rise of compulsory state welfare. It should be restored.

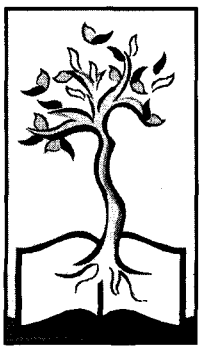
I should like to conclude by referring to a distinction alluded to earlier—that between the institutional and the residual welfare states. Even if the prevailing welfare system is abolished, a serious problem will remain: the elderly. Americans think that Social Security is not part of welfare; it is not seen as a state payment but something Americans have earned through a self-financing social insurance system (the institutional welfare state). But they haven't (although they could have if their Social Security tax had been invested in the stock market). At present Social Security looks a bit like a residual system: it is a *redistributive*, pay-as-you-go scheme that transfers income from the young to the old.[7] It is vulnerable to demographic changes. There is no genuine "trust fund." The anomalies of the institutional and residual welfare states come together in a predictably bizarre way when it is realized that poverty in America is a feature of the very young, not the old. □

1. Lawrence Mead, *The New Politics of Poverty* (New York: Basic Books, 1992), p. 181.
2. See Norman Barry, *Welfare*, 2nd ed. (Buckingham, U.K.: Open University Press), ch. 8, and "Conservative Thought and the Welfare State," *Political Studies*, vol. 45, 1997, pp. 342–45.
3. See Norman Barry, "Friedman," in V. George and R. Page, *Modern Thinkers on Welfare* (London: Harvester Wheatsheaf, 1995), ch. 2.
4. *The New Politics of Poverty*, ch. 5.
5. Lisa Oliphant, "Four Years of Welfare Reform: A Progress Report," *Policy Analysis* No. 378, Cato Institute, August 2000.
6. Michael Tanner, *The End of Welfare* (Washington, D.C., Cato Institute, 1996), p. 131.
7. See Norman Barry, "The State, Pensions and the Philosophy of Welfare," *Journal of Social Policy*, vol. 3, 1985, pp. 468–90.

FEE Undergraduate Seminar in Economics and History
March 23-25, 2001

College students from around the world are invited to participate in a weekend of lectures, discussion, and ideas. During this three-day program, expert speakers will discuss topics ranging from the environment and entrepreneurship to globalization and the market process.

The seminar is free of charge to accepted undergraduates, and all students, regardless of major, are invited to apply. For more information or to request an application, please contact:



Director of Seminars
Foundation for Economic Education
30 South Broadway
Irvington-on-Hudson, NY 10533

seminars@fee.org
(914) 591-7230, ext. 223
www.fee.org

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

Of Lights and Liberty

by E. Frank Stephenson

Recently, while returning from lunch with a colleague, we observed a person blatantly running a red light. This event prompted my colleague to remark that he couldn't understand why the government had not installed cameras to photograph the license plates of people who run red lights. I pondered his remark briefly, then told him that I considered the lack of cameras to be good news. I'll explain.

Let me begin by stating that people who run stoplights endanger the safety of others. And let me add that, at least in my town, red-light running *seems* to be an increasingly common action that has occasionally led to severe automobile accidents.

How then can I think that the government's unwillingness to install stoplight cameras is good news? It has nothing to do with my strong desire not to pay higher taxes, though I am overtaxed already. Even with a large number of stoplights, my share of the cost of cameras would be rather small and would certainly be dwarfed by my existing tax burden. Moreover, I do not delude myself into thinking that the need to raise taxes to fund the cameras amounts to a serious constraint on government expansion.

Frank Stephenson (efstephenson@campbell.berry.edu) is assistant professor of economics at Berry College and an adjunct scholar with the Georgia Public Policy Foundation.

Instead, my happiness at the lack of cameras derives from my perception that the factor constraining the government's willingness to install cameras is the public's uneasiness with the specter of "Big Brother." Admittedly, this small instance of Big Brother might save some lives and would be a relatively minor encroachment on our freedom. Nor would the installation of stoplight cameras be significantly different in principle from having a police officer monitor the intersection. However, in this era of bipartisan support for the nanny-statism espoused in Hillary Rodham Clinton's *It Takes a Village*, it is heartening to see at least one example of people's desire for liberty outweighing their demand for safety.

Unfortunately, such instances of freedom taking precedence over safety are too rare. The same society that rejects stoplight cameras readily embraces government oversight of banking and other financial dealings, government-mandated searches before boarding airplanes, the war on drugs and tobacco, and the levying of taxes to fund a myriad of redistributionist schemes.

One can only hope that the public revulsion against Big Brother hiding in every stoplight spreads to other parts of our lives. For, as Benjamin Franklin said, "they that can give up essential liberty to obtain a little temporary safety deserve neither liberty nor safety." □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

The Robert Downey Jr. Problem

Drugs can exercise a powerful hold over a human being. What other lesson is possible from the arrest of actor Robert Downey Jr., yet again, on drug charges?

His life is a tragedy: a gifted actor, with access to the sort of money and fame of which most people only dream, succumbs to drugs and ends up in jail. His latest arrest came only three months after being released from prison.

One should wonder how drugs can have such a stranglehold over a person. But there's an even more important question: why was the government threatening to put Downey in prison for another five years?

Downey has made a mess of his life. But he has harmed no one else. Why jail him?

The Drug War is usually debated in practical terms. And it is extremely hard to justify on those terms.

The Drug War has had only indifferent success in reducing drug abuse. Consumption has varied over the last two decades without any relationship to enforcement efforts. More than 80 million people have tried drugs—despite increasingly Draconian penalties. Some 15 million people used drugs last year.

Most are casual users who can and do ultimately quit. Undoubtedly, the threat of prosecution and prison has discouraged casual use, but casual use is of the least consequence. Three-fourths of present drug users, like Downey, are employed. Corporations, law firms, government agencies, and legislative bodies are full of people who once consumed drugs. Even presidents-to-be have smoked marijuana without obvious harm.

Where the drug laws are least effective is in deterring addicts, the 3.6 million people like Downey estimated to be dependent on drugs. "The threat of prison has been eliminated for me," observed Downey after leaving jail the last time: "I know I can do time now." If the drug laws won't stop someone like him, who has so much to lose from doing drugs, then whom will they stop?

Perhaps the greatest failure is that the Drug War does so little to prevent drug use by kids. Demand for marijuana has fallen a bit over the last five years, but the demand for ecstasy has doubled. Half of teens have tried illicit drugs. Nine of ten say it is fairly or very easy to obtain marijuana; nearly half say the same of cocaine.

The peculiarities of prohibition have actually encouraged consumption by children. Persistent lies about the impact of drugs—from "reefer madness" on—have undercut the government's credibility. The application of reduced criminal penalties to juveniles has encouraged drug gangs to rely on kids. And the legal ban has driven drug sales into the hands of the sort of people who have no compunction about selling to kids: For all the criticism of alcohol and tobacco companies for allegedly marketing to kids, students do not wear beepers and sell Marlboro cigarettes or Seagram's liquor in most schools.

Doug Bandow, a nationally syndicated columnist, is a senior fellow at the Cato Institute and the author and editor of several books, including The Politics of Plunder.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

While the Drug War has had its least impact in halting the most serious problems—abuse by addicts and kids—it has come at great cost. The government has spent $75 billion over the last five years, 25 times the inflation-adjusted spending on Prohibition in the 1920s.

There are now two million people in federal and state prisons. One-fourth of state and 60 percent of federal prisoners are serving drug-related charges, yet three-fourths of them had no prior convictions for violent crimes. An incredible six million are in jail or prison, or on probation or parole. In short, government is jailing a steadily rising number of people for hurting themselves and no one else.

We are also losing our status as a free people. Corruption bedevils police forces, court systems, the customs service, and even the military.

The lack of complaining witnesses—drugs are self-victim crimes, in contrast to rape and murder—means that dealers and users can be prosecuted only through police-state tactics. That means increasing wiretaps, intrusive searches, racial profiling, confiscatory property forfeitures, propaganda-laced television shows, militarized law enforcement, and mindless mandatory minimum sentences. Although the Supreme Court recently tossed out traffic stops for narcotics, lawyers routinely talk about the drug exception to the Fourth Amendment.

Innocent Victims

The problem is not just an abstract potential for an improper search. It means lives: drug raids on the wrong address or based on unreliable informants have filled body bags with innocent victims.

Fighting the war has generated other "collateral" casualties. Although there are people who consume drugs and then commit crimes, alcohol is the most crimogenic substance. Drugs like heroin and marijuana are more likely to make people passive. Most of the violence associated with drugs is drug-law related—marketing disputes that cannot be resolved in normal, peaceful ways.

The problem spreads overseas. Countries like Colombia stagger from pervasive corruption and unrelenting violence caused, ultimately, by America's Drug War. Absent the U.S. drug ban, the drug trade would offer normal profits and attract normal businesses. Today, in contrast, these societies are truly at war.

The sick also pay a price. Although the federal government allows use of morphine to treat pain, it refuses to do the same for marijuana. Yet the evidence is overwhelming that for some people—suffering from AIDS, cancer, glaucoma, and other conditions—marijuana is currently the best medicine available.

In short, the practical costs of the drug war outweigh any practical benefits. But the case of Robert Downey raises an even more fundamental moral issue.

Why should someone be jailed to prevent him from hurting himself? The moral argument for punishing a thief or murderer is clear. But it is not clear for a drug user, especially when the vast majority of users are as responsible as any drinker.

The few who are "enslaved" by their habits still don't deserve jail. If Robert Downey can't do his job, then fire him for cause. If he drives a car while impaired, then punish him for DUI. If he takes a drug that impairs his judgment and he hits someone, then imprison him for assault. But don't jail him simply for using drugs.

The prolonged presidential election overshadowed an even more important result of last November 7—an obvious desire to find an alternative path to reduce drug abuse. Voters supported access to medical marijuana, endorsed treatment over punishment, restricted property forfeitures, and, in California's Mendocino County, approved limited marijuana decriminalization.

There is no easy solution to drug abuse, but one thing is clear: our present policy is an immoral failure. Drug abuse is a health, moral, and spiritual problem; it should not be a criminal problem. As former DEA agent Michael Levine puts it, it is time to "call off the hounds." □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

How the Computer Emancipated the American Corporation

by Larry Schweikart

It's pretty common knowledge that we have entered the "information age" and that information technologies have dramatically changed business in America and in the rest of the world. Currently, there is a heated debate raging about the standard of living in the United States—particularly in the middle class—and the degree to which computers have raised it, if at all. How one views the information revolution tends to shape the response to this issue. In fact, though, the most significant changes associated with the introduction of the computer are often misidentified as deriving from other factors. This, in turn, has obscured the most significant trend in American business and economic history in the last century, namely, that the computer has emancipated the American corporation from a century of statist-oriented, planning-centered managers.

First, it is worthwhile to see where we are in the debate about the "information revolution" in the year 2001. The public discussion about the impact of the computer has tended to focus on blue-collar wages, middle-class living standards, inflation, and unemployment. On one side are those who claim that the middle class is falling behind and that real wages have not risen commensurately with either overall economic growth or with productivity increases. Proponents of this view maintain that the U.S. economy has drifted back toward inflation and that government expenditures have not been controlled, even by six years of Republican congresses. Those on this side of the argument include Pat Buchanan, Richard Gephardt, and Robert Reich.

When viewed purely in terms of wages—especially blue-collar paychecks—these critics are completely right. Few would doubt that steel or auto workers in the 1970s had far higher real earnings (after adjusting for inflation) than they do today, especially after factoring in their benefit packages. David Halberstam's book about the decline of the American auto industry, *The Reckoning*, noted that in the early 1970s, line auto workers had two cars, a boat, and a vacation house on the lake.

But following the steel and auto shakeout in the 1980s, in which thousands of employees were fired, most never to be rehired, those who remained had to give back benefits and/or settle for wage limitations. Nevertheless, American business shifted steadily into an "information economy," and even in hard-core manufacturing areas, such as steel, the successful companies used computers and robotics to achieve important productivity gains.

It is true also that many service workers do not make the wages of those in unionized steel and auto manufacturing, although the counter help and secretarial jobs are emphasized far too much over the attorneys, accountants, software engineers, production designers, and other "service" areas that make up the meat of the new economy.

Larry Schweikart (schweikart@erinet.com) teaches history at the University of Dayton.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Overall, this view misses the fact that real wealth gains have occurred through savings—through the IRAs and other pension/retirement accounts that were sheltered from outrageous taxation over the last 20 years. With the stock market boom of the 1990s, Americans saw this element of their wealth rise 20 percent, 30 percent, or higher. Without question, many were left out, especially those in jobs without pension funds, or those who worked in service businesses that did not leave enough from their paychecks to invest. While this group may have been a sizable minority, it nevertheless was a minority. Statistics show that a majority of Americans now have investments in the stock market. To ignore this is to deny reality.

The other part of the wealth gain for the middle class have come in the form of housing values, which also have risen. While it is difficult to monetize the gains from one's house—people usually don't want to move just to make a quick buck—again these gains are real, and to exclude them distorts the financial picture. Once both these gains are factored in, middle-class Americans have gained ground.

In fact, while economists and policymakers have argued about what the new economy is doing to the middle class, they have been blind to the most significant business change in our generation, namely, the demise of the "visible hand" of managerial hierarchies. The term "visible hand," derived from Harvard business historian Alfred Chandler's 1977 prize-winning book of that title, refers to the active role of managers in controlling and (to use Chandler's favorite word) planning the economy. To appreciate the dynamic and earthshaking transformation of business—and the liberation offered by the computer—it is worthwhile to review Chandler's hypothesis.

Separating Ownership and Management

Chandler argued that owner-operated businesses proved inadequate to handle the speed, scale, and scope of technological change in the 1850s. This was especially obvious, he claims, in railroads, where the sheer mileage and difficulty of maintaining schedules made it impossible for one owner to direct the firm's affairs. Railroads responded by separating ownership from management. By that time, the owners were usually stockholders because the railroads' capital needs were so great that they had to issue securities. The stockholders then elected a president or chairman who would direct the company's activities.

This separation of ownership and management had several implications. First, the managerial class (Chandler claims) began to exert its control over production so as to smooth out the unexpected effects of suppliers outside the firm's ownership. Chandler called this process the "visible hand" of management, which he said replaced the "invisible hand" of the market. Leaving aside for a moment the truth of that assertion, Chandler correctly observed that the managerial "hierarchies" (top management, middle management, and so on) soon saw control of the product as the most effective means of competition—far better than focusing on driving competitors out of business. The implication of this was enormous: *the managerial hierarchies became extremely conservative,* preferring a 2 percent per-year profit that could be relied on to smooth out sharp swings between high profits and deep losses that could not be forecast.

Lest that seem unreasonable, it is necessary to recognize that the manager mentality centered almost exclusively on efficiency gains and productivity *within* the corporation. Managers saw their central problem in their ability to control their product and plan its production. Thus they engaged in "backward integration" to obtain sources of raw materials—cattle farms, iron ore pits, and so on—and "forward integration" to purchase retailers. In theory, a sharp manager could control the flow of production from its origins in an ore pit to its sale in a store. The competitors were increasingly less important to managers: like a successful football coach, managers thought that if their "teams" ran the plays "the right way," they would work every time.

Therefore, corporations became much more conservative and less willing to take risks. Even research-and-development depart-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ments (R&D) were locked into this mentality, so that they essentially only made marginal improvements to the firm's existing products—but never provided a true revolution or genuinely radical product. Worse, perhaps, the "numbers guys" started to dominate corporations over the "production guys." Accountants, financial divisions, and managers with a facility with the statistics had a huge advantage over people who knew the business and who understood the necessary touch of Zen required to turn out successful products, but who were at a disadvantage in the executive meetings when challenged by the green-eyeshade crowd.

This has seriously affected corporations' ability to make radical advances or develop truly new products, at least deliberately. Burton Klein, looking at the top 50 technological breakthroughs of the twentieth century in the United States, found that *not one* came from the leader in the field. Rather, all the breakthroughs came from unknowns, some of them not even in the same field. For example, Henry Ford was not a buggy manufacturer; the Wright brothers were not balloon makers, and, more recently, the personal computer did not come from any of the established companies in the computing field. This makes complete sense if one accepts Chandler's premise that the corporations become defensive under the managers.

Managers, Information, and the Need to Know

There was another, perhaps more important, aspect of the managers that Chandler seems to miss. Managers added value by being facilitators of information—conduits for moving data on a need-to-know basis from the top of the corporation down. In the nineteenth century this made sense. Employees often were uneducated, many of them coming straight from Europe with poor language skills. Moreover, the process of information transfer was painstakingly slow: the telegraph was the fastest form of communication until about 1900, although telephones had started to make inroads in large cities. But one could not rely on phones to transmit scheduling information or sudden production changes to more remote areas until nearly the turn of the century. Banking was still largely handled by mail, with accounts handwritten and entries balanced by hand at the end of the day. In short, the combination of slow communications and an uneducated workforce made it reasonable and efficient for managers to make decisions about which information to sift down to the employees.

While this changed some between 1900 and 1960, the growth of the corporations and the expansion of markets worldwide hid many of the inefficiencies in this system. Indeed, large corporations had started to squeeze greater efficiencies out of their managerial structures through bonuses, perks, and a corporate culture that rewarded loyalty and conformity. The infamous *Man in the Grey Flannel Suit* and *Organization Man*, while appropriate in their concerns about the standardization of life, missed the economic logic of such managerial hierarchies. And despite widespread use of telephones, corporations still depended almost exclusively on the transmission of data and instructions by paper. The interoffice memo became an urban legend in the 1950s.

What was no longer true, however, was that the workforce was either uneducated or uninterested in the firm's activities. Employees now had the ability to process the data, and to analyze information for themselves, but had no way to obtain it, except through the top-down managerial structure. Perhaps the opposite of the situation of the late 1800s had surfaced, in which by the 1970s large numbers of workers were actually *over*educated for the tasks they were assigned. Yet the company still ran according to the nineteenth-century model, with the managerial hierarchies treating even relatively high-level executives as mere receptacles of information, which the managers, in their Zeus-like positions, dispensed from on high. American productivity in steel, autos, electronics, and other sectors began to wilt in the 1970s—for a host of reasons. But among them was a managerial design that was simply obsolete.

The computer pushed this teetering structure over the edge, especially after the advent

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of the personal computer in the early 1970s. But already, the copy machine had made it possible for many employees to read and absorb previously "internal" documents. Guerrilla efforts to leak corporate documents (for a variety of motivations) showed how futile it would be for firms to try to keep the lid on the information explosion much longer. By the 1980s, personal computers had started to filter into almost all corporations. Then by the late 1980s, these computers linked employees together through electronic mail. What one employee had, others could get. Soon, only the most secure information about the company was inaccessible.

With the rise of the Internet, though, virtually all information was available. Even quasi-secure corporate information often was pried out by Web sites and hackers, but even without that specific data, rank-and-file employees could get all but the highest-level information for a company. In short, the managers' role as conduits of information was sharply compromised, if not eliminated altogether.

Actually, worse: the managers now, trying to move information to the divisions that needed it most, found themselves completely overloaded. As they tried to separate "important" from "trivial" data, they applied a standard of judgment that went beyond the abilities of even exceptional men and women. There was simply too much information to sift through, and not enough time. Managers became *bottlenecks*, not transmitters, of information. In human terms, they became "switches," unable to direct or route commands fast enough, outflanked by the "wires" of their employees who had the information.

The corporations' profit sheets told them something was wrong, but, typically, companies could not easily identify the source of change. They knew it involved the managers, but could only assess the problem in terms of "lower productivity" or "falling effectiveness." Firms knew the trouble rested in the ranks of management, but did not know why. Hence, the 1990s had the great white-collar shakeout, replete with the *Newsweek* cover "Corporate Killers" and the *New York Times* series about the "battlefield of business" where there were "casualties."

Liberation Technology

In fact, what had happened was that the computer had liberated the corporation. Throughout the 1980s, management gurus encouraged American companies to restyle themselves in the image of the "more efficient" Japanese. "*Kaizen*"-style management, touted as the solution to American industry's falling productivity, offered a silver bullet. There was an element of truth to this, although the analysis often missed the essential dynamism of the Japanese system: it encouraged employees to give constant feedback about the production processes.

However, most of those calling for Japanese management practices saw the reason for American decline in the habits and character of the managers themselves. They tended to accept uncritically Japan's own propaganda about "Samurai management." Instead, the Japanese at a relatively low level had identified the benefits of rapid information transmission in *both* directions—from the bottom up and from the top down. Significantly, Japan's Ministry of International Trade and Industry tended to block further information transmission from corporations (that is, the market) *upward*. Or more appropriately, the Japanese government managers often did not follow the successful practices adopted by business at the lower levels. Over time, though, considerable discipline was imposed by the securities markets. In a sense, Japan's fade in the 1990s, and the collapse of its securities base, reflected the same forces at a higher plane than what was occurring in America with the white-collar layoffs. Information was being blocked or ignored. Managers interfered with information transmission.

Keep in mind that information is neutral, making itself available to whoever chooses to apply it. American companies, whether they understood the phenomena fully or not, sensed the productivity implications in the 1990s. This helped fuel the remarkable stock market boom that only recently has receded. More than anything, the Great Bull Market of the '90s was a tech market—an information market. Consistently pegged as "overvalued," the fact is that until industry fully understands

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

how much information it can process, and how much the information it does process will improve productivity, *no one knows* what the value of the market "should be." That has led columnist James Glassman to write a book asking if a "30,000 Dow" were in sight. Tech guru George Gilder continues to argue that the stock market doesn't even begin to properly value America's corporate worth, let alone the impact of the new technologies.

The computer has liberated the corporation from the tyranny of the managers, who had imposed a planning-oriented model of low-growth expectations on it. Corporations rightly were criticized as falling under the sway of the "bean counters," a Robert McNamara-esque generation of "numbers men" (and now, "numbers women" too) whose deity is the balance sheet. But entrepreneurs know that much business success comes from "hunches," a sense of timing, and intimate knowledge of the customers.

Keeping corporations entrepreneurial is a task well-suited to the computer culture, because it shifts ordering, marketing, and sales to the point of contact in the market itself. Admittedly, there are important costs, and the computer is no panacea. The computerization of food checkout has eliminated the friendly conversations between cashiers and customers, both of whom knew each other's names. But in fact that connection was severed years ago by the optical scanner, which all but eliminated small talk. Since virtually any person could be trained on a scanner quickly, it also eliminated the middle-aged, well-paid cashiers of the type who used to work with me at the family-owned grocery store. Now, tattooed and pierced teens perform those functions at much lower salaries.

But here is where the manager again can emerge to reclaim an important role: the manager now is more than a supervisor of cashiers or checkout people. He is the point of sale to the consumer. Again, this has costs and benefits. The cost is that the manager can no longer rely on a facility with numbers or a sterile balance sheet to justify his employment. Rather, the computer has re-imposed on the company the demand that managers actively represent the firm to the public, again becoming the owner in the absence of the owner. Harvard Business School types who thought they would never have to deal with people because they were "managers" will get a reality bath. The manager of the future will be all about dealing with people, especially customers.

But employees, as well, are now liberated in a sense. If wages have fallen, access to information has empowered. Ambitious workers—but only the ambitious—will find that the access provided by computerization of inventories, records, sales, and so on lays at their feet the guts of the firm's activities. Certainly not all will have either the determination or the smarts to take advantage of such openness. For those who do, however, the world is their oyster.

At first, it might be argued that the effect of this is to create a "two-tiered system" in which a firm has large numbers of low-wage employees at the bottom and a handful of highly paid executives at the top. Indeed this structure might exist for a brief period until the corporation realizes that long-term success involves educating and motivating the low-wage employees at the bottom to take advantage of the information at their fingertips. This not only could return "control of the workplace" to the "shop floor," in a cyber sense, but will revive the owner-operator at the top levels. This is seen (with a vengeance) in the Silicon Valley firms, where the "employees" are really combinations of workers, owners, and managers.

Granted, not all businesses lend themselves to this dynamic; or at least, so it seems today. But given the remarkable changes in business over the last 100 years, who's to say that it will not become the working model of the future corporation? At any rate, the damage is done (from the perspective of the managerial hierarchies), or the blessings are bestowed (from the point of view of a George Gilder). There is no going back. The question is, now that they are essentially emancipated from the tyranny of the managers, what will the corporations of the 21st century do with their freedom? □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

National Gun Registration: The Road to Tyranny

by Miguel A. Faria, Jr.

Georg Hegel (1770–1831), the father of dialectical idealism, which Karl Marx transmogrified and misappropriated as dialectical materialism, lamented that what we learn from history is that man does not learn its lessons. Despite what we have learned about the deleterious effects of draconian gun control in other countries, particularly during the last bloody century, politicians with authoritarian leanings continue to beat the drums for more gun control.

As any student of history knows, gun control figures prominently in the designs of totalitarian states. These features recur:

- Centralization of the police force with a vast network of surveillance and informants to spy on citizens;
- National identification cards for all citizens;
- Civilian disarmament via gun registration, and licensing, followed by banning and confiscation of firearms.

Once this mechanism of oppression is firmly in place, persecution and elimination of political opponents follow, and every social, political, and economic policy the Total State desires can be implemented. This has happened in National Socialist states like Nazi Germany, fascist states like Italy under Mussolini, and communist powers such as the former Soviet Union (and its satellites behind the Iron Curtain) and Red China.

It is therefore astonishing and disturbing that Americans have been assailed in the last several years by dangerous political proposals that threaten the individual liberties our Founding Fathers bequeathed to us.

Several bills introduced in Congress last year, all of which could be reintroduced in the new Congress, would have required that all "qualifying firearms" in the hands of law-abiding citizens be registered. California Senator Dianne Feinstein's bill (cosponsored by Senator Charles Schumer of New York, Senator Barbara Boxer of California, and then-Senator Frank Lautenberg of New Jersey) would also have required that all persons be fingerprinted, licensed with passport-size photographs, and forced to reveal certain personal information as conditions for licensure. As the proposed measure itself elaborates, "It is in the national interest and within the role of the federal government to ensure that the regulation of firearms is uniform among the states, that law enforcement can quickly and effectively trace firearms used in crime, and that firearm owners know how to use and safely store their firearms."

Another such bill was the one proposed by Senator Jack Reed of Rhode Island, also

Miguel A. Faria Jr., M.D. (hfaria@mindspring.com), is the editor-in-chief of Medical Sentinel, *the journal of the Association of American Physicians and Surgeons, and author of* Vandals at the Gates of Medicine: Historic Perspectives on the Battle Over Health Care Reform (1995) *and* Medical Warrior: Fighting Corporate Socialized Medicine" (Hacienda Publishing Inc., 1997, www.haciendapub.com).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

mandating gun owners to register their firearms (in essence, establishing a national gun registry). It would have treated handguns like machine guns, short-barrel shotguns, grenades, and other specialized weapons. Gun owners would have one year to register all handguns. This would be effected by a vigorous public campaign funded by the taxpayers, as is done in Canada today.

The Canadian experience itself is instructive. Lorne Gunter, in the *Edmonton Journal* (October 13, 2000), reveals that the Canadian Outreach program to register all gun owners is falling short. The campaign not only has failed to register the expected 1.4 million gun owners (only one-third, 486,000, has complied), but it has also exceeded the projected price tag. "The latest estimates project the cost of the registry from December 1998 through March 2001 at $600 million, seven times the original estimate of $85 million," Gunter wrote.

Americans, and now Canadians, have pointed out that rather than helping track criminals and their guns as claimed, registration of firearms is dangerous to the liberties of law-abiding citizens, and as we shall see, counterproductive with respect to criminals.

Gun Registration and Tyranny

Unbeknownst to many Americans, who have seen and experienced mostly the goodness of America, gun registration is the gateway to civilian disarmament, which often precedes genocide. In the monumental book *Lethal Laws** we learn that authoritarian governments that conducted genocide and mass killings of their own populations first disarmed their citizens. The recipe for accomplishing this goal was: demonizing of guns, registration, banning and confiscation, and finally total civilian disarmament. Enslavement of the people then followed with limited resistance, as in Nazi Germany, the Soviet Union, Red China, Cuba, and other totalitarian regimes of the twentieth century.

*Jay Simkin, Aaron Zelman, and Alan M. Rice (Milwaukee: Jews for the Preservation of Firearm Ownership, 1994); www.jpfo.org.

When presented with these deadly chronicles and the perilous historic sequence, Americans often opine that it cannot happen here. As to the dangers of licensing of gun owners and registration of firearms, they frequently retort, "If you don't have anything to hide, then you don't have anything to fear!" Followed by, "I see nothing wrong with gun registration because we have to do something; there are just too many guns out there that fall into the wrong hands." These naïve attitudes ignore the penchant of governments to accrue power at the expense of the liberties of individuals.

Civilian disarmament is not only harmful to one's freedom but also counterproductive in achieving safety. That has been further attested by University of Hawaii Professor R. J. Rummel's *Death by Government* (1994) and Stéphane Courtois's edited volume, *The Black Book of Communism* (1999). These books make it clear that authoritarianism and totalitarianism are dangerous to the health of humanity. During the twentieth century, more than 100 million people were killed by their own governments bent on destroying liberty and building socialism and collectivism.

I can personally testify that when Cubans lost their guns in 1959 they also lost their ability to regain freedom. Thus today, Cubans on the other side of the Florida Strait remain enslaved in what was supposed to have been the dream of a socialist utopia, the ultimate Caribbean Worker's Paradise. What they ended up with was the nightmare of a police state in a communist island prison.

Although with the new administration in Washington, registration may not be a politically viable option, other freedom-eroding legislation remains a real concern, particularly if hidden among the scores of bills passed by Congress year after year. Americans must vigilantly protect their sacred liberties, which are threatened, for example, by the closing of gun shows with burdensome regulations, rationing lawful gun purchases, and banning the importation of certain firearm accessories. Laws should be directed against criminals and felons, and should be referred to as crime control rather than gun control.

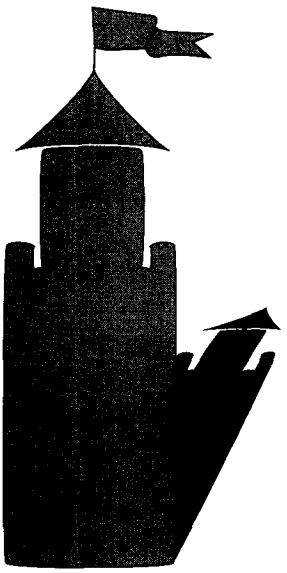
LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Registration and the Law

Another fact Americans need to understand is that registration is directed at law-abiding citizens, not criminals. Not only do convicted criminals by definition fail to obey the law, but they are also constitutionally protected against any registration requirement. In *Haynes v. United States,* the U.S. Supreme Court in 1968 ruled that requiring registration by those who unlawfully possess firearms amounts to a violation of the Fifth Amendment's proscription against forced self-incrimination. The court said that if someone "realistically can expect that registration will substantially increase the likelihood of his prosecution," the registration requirement is unconstitutional.

In short, with the historically crucial and potentially fatal issue of progressive civilian disarmament, perhaps, we should once again summon the words of the "Federal Farmer" (1788): "To preserve liberty, it is essential that the whole body of the people always possess arms, and be taught alike, especially when young, how to use them." □

Mark your calendar for FEE's 2001 Donor Retreat!



Foundation for Economic Education

Celebrate Frederic Bastiat's 200th Birthday at FEE's 2001 Donor Retreat

Carcassonne, France
Hôtel de la Cité
June 27 – July 1, 2001

For more information, please contact Nicole Gray at (914) 591-7230, ext. 212 or by e-mail at ngray@fee.org.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

Affirmative Chemical Action

In my last column I showed that caffeine is the most widely used mind-altering drug in America, that its use is endorsed by the government, and that the public-school system, allied with the beverage industry, has become one of America's major drug delivery systems. In this column I will show that the popular enthusiasm and political approval of caffeine conflict with the professional judgment of health experts regarding the physiological effects of this drug and with their recommendations regarding its use, especially in children.

Obviously, my critique of the intellectual corruptness of the public-school system's policy on drugs is *not intended as a call for more government control over drugs or schools.* Instead, it is intended as a reminder that the fashionable rhetoric about protecting kids and our self-congratulatory posturing as a child-oriented nation conceal a bitter truth: namely, that in the name of protecting children, educators, mental health personnel, and politicians abuse and persecute children, mainly by systematically lying to them.

Before the anti-drug craze, children were told that masturbating would cause them to go blind. Now they are told that taking certain drugs will make them go mad and become violent or commit suicide; that certain other drugs will prevent and cure all these horrors; that some drugs are not drugs; and that they must say "no to drugs," except Ritalin, which they *must* take or be expelled from school.

Caffeine: The Experts Speak

Revealingly, in Goodman and Gilman's *The Pharmacological Basis of Therapeutics* (ninth edition)—which is the most widely used textbook of pharmacology in American medical schools—the material about caffeine is placed in a chapter titled "Drug Addiction and Drug Abuse," under the subheading "Cocaine and Other Psychostimulants." This material is preceded by discussion of the effects of cocaine and amphetamines, and is followed by material on cannabioids (marijuana). Regarding Ritalin, discussed under the heading of its chemical name, "methylphenidate," we learn that "Its pharmacological properties are essentially the same as those of the amphetamines. Methylphenidate also shares the abuse potential of amphetamines."

Amphetamine is a controlled substance; its possession without a prescription is a criminal offense. It would seem not too much to expect that children compelled to attend classes in drug education as well as those compelled to take Ritalin be given a photocopy of those two sentences.

Popular books on child care also condemn the use of caffeine:

Dr. Spock's Baby and Child Care, the bible of American parents' guide to child rearing: "Coffee, tea, cola drinks, and chocolate are

Thomas Szasz, M.D. (tszasz@aol.com), is professor of psychiatry emeritus at SUNY Upstate Medical University in Syracuse. He is the author of Fatal Freedom.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

not good drinks for children because they contain lots of sugar and the stimulant caffeine."

Feed Your Kids Well, by Fred Prescott, M.D.: "The five top selling sodas are also loaded with caffeine. Caffeine is an addictive substance, no less than nicotine. In addition, it is a neurostimulant, meaning that it acts on the body like amphetamine: it can cause jitteriness, anxiety, weight loss, and insomnia, all of which can lead to poor school performance."

The Family Nutrition Book, by William Sears, M.D., and Martha Sears, R.N.: "Many school age children get squirrelly following a jolt of caffeine-containing cola."

Considered too young to drink coffee because of its caffeine content, children are offered all the caffeine they want—in school.

Coca-Cola: What's in a Name?

For children, the primary source of caffeine is soft drinks, and among soft drinks, the most popular brand is Coca-Cola. The name "Coca-Cola" was trademarked in 1886. For the next 20 years, until the Pure Food and Drug Act was passed, the drink so named contained cocaine and was advertised as a therapeutic agent against "melancholy."

Why did cocaine in Coca-Cola pose no national or international threat between 1886 and 1906? Because it was legal and was not a scapegoat: its persecution yielded no political profits to demagogues, and its distribution was not in the hands of drug lords.

Now it is illegal and a scapegoat—a "dangerous drug," a stigma term masquerading as a scientific designation. A drug is an inanimate object and therefore cannot be dangerous. Only people who use or misuse a drug can be dangerous, as can also people who neither use or misuse drugs. (Hitler neither smoked nor drank; in fact, he was a health fanatic.) Labeling a drug "dangerous" is a political act, inviting and justifying political consequences, in exactly the same way as labeling a person as "dangerous" is a political act.

Since the end of World War II and especially since the demise of communism in the Soviet Union, cocaine has become America's favorite scapegoat. Like the Inquisition, the war against coca in Colombia, sponsored and supported by the United States, is not a metaphoric battle. Yet the best-known American trademark and the world's most popular soft drink contains the word "coca." The word commemorates the fact that but for the coca leaf there would never have been a flourishing pre-European civilization in the Andes.

How does the Coca-Cola Company deal with these embarrassing historical and pharmacological facts? About cocaine, the company's Web site (www.Coca-Cola.com) is, understandably, silent. Regarding caffeine, it informs the reader: "While many soft drinks are caffeine-free, some contain a small amount of caffeine as part of the flavor profile. . . . The caffeine that is added to Coca-Cola classic, diet Coke and the other products in which it is used is *for flavor purposes only.* We use only the amount necessary to achieve the appropriate *optimum flavor profile* for the particular product sold" (emphasis added). The truth is that caffeine is an odorless and tasteless substance. The Coca-Cola Company's claim that caffeine is added to the drink to enhance its flavor is a deliberate deception, more serious than any of the deceptions of which the tobacco companies were accused. I say this because the effects of smoking on health have been recognized for centuries and there never were any cigarette vending machines in schools, whereas the effects of caffeine on the health of children are generally unacknowledged and there are cola vending machines in schools.

Because medical and school personnel are now agents of the state, and because children are more vulnerable than adults, it is not surprising that they are among the most helpless victims of the war against drugs as well as the war for drugs. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

Education, Creativity, and Prosperity: East versus West

by Christopher Lingle

It is widely believed that a commitment to education is a key element in the "miracle" economic growth experienced in much of East Asia over the past several decades. For example, the introduction of universal primary schooling in Japan is presumed to have led to a relatively high level of education and literacy among the general population in the 1960s. By implication, skill levels and thus productivity of the labor force were generally higher than in other developing countries. These higher education levels also facilitated the transfer and adoption of foreign-sourced technology and made it easier to find competent staff for the civil service. Relatively high education levels may have also helped lower fertility and mortality rates below what they were in other developing countries with similar levels of income.

Unfortunately, a variety of flaws have begun to appear in the highly regimented education systems of East Asia with their demand for conformity. In particular, the stresses of competition in Japan have led to some troubling acts of student violence and suicide. A more widespread problem is the inhibition of creativity. That may be the weak link in the region's ability to sustain its economic progress.

The problems do not end with primary and secondary education. A lockstep tendency among many East Asian academics leads to questions about the integrity of some of the region's universities. Asian universities function too often as factories for the production of state bureaucrats.

Traditional institutional arrangements in Asia inhibit original research. Intellectual debate is neither necessary nor appreciated among herds of students who are being trained to follow rules and to adhere unquestioningly to authority. Even though many Asians hold education in high regard, most schooling is based on rote learning. Former Japanese Prime Minister Morihiro Hosokawa suggested that this system would ruin his country's future.

The accompanying hierarchical structures inhibit freethinking and challenges to conventional wisdom that generate new ideas. As a result, technological innovations that have emerged from East Asia are in narrowly focused areas with limited applications. There's been little basic research in, say, genetic engineering or biotechnology.

Students from the region continue to flock to the West, which continues to have the greatest centers of higher learning, thanks to its tradition of intellectual freedom. Unsurprisingly, they attract and produce the bulk of the world's great scholars and innovators.

The Singapore Example

It is difficult to generalize about the East Asian educational systems. However, a case

Christopher Lingle (CLINGLE@ufm.edu.gt) is a visiting professor of economics at ESEADE, Universidad Francisco Marroquín.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

study of Singapore might reveal some interesting points of similarity.

Despite its reputation as one of the premier institutions of higher education in that region, there is little room for academic freedom at the National University of Singapore (NUS). Reflecting the mood of the country's political leadership, the NUS is a humorless place run by rule-bound administrators who treat lecturers more like bureaucrats than scholars. This bureaucratization of the academy became amply clear to me during my time there.

Having served as a senior fellow at NUS, I am often asked about the quality of the staff and students. My general response is that none of my high and positive expectations were realized. In my academic career I have measured the quality of my students and colleagues by their ability to provide penetrating insights, to offer challenges to existing intellectual frameworks, to think laterally, and so on. In turn, I always expected them to demand the same from me. Most students at the NUS suffered from an emphasis on rote learning almost to the complete exclusion of the creative use of what had been learned. There was a great gap between scholastic achievement and personal maturity. This was evident in the giggling, wide-eyed naïveté and parochialism that led to the most frequent question, "Please, sir, what is the right answer?"

Alas, many of my Singaporean colleagues in the Faculty of the Arts and Social Sciences were also intimidated into lockstep mediocrity by the power structure both in the university and in the government. These observations are less a criticism of the individuals involved than they are of the incentive system under which they operated. Most of my students and colleagues were certainly comparable in their intellectual capacities with those encountered in any other university in the world. Doubtless, many were exceptional. It was well understood, however, that those who did not cooperate would be passed over for promotions or might lose their jobs. The university administration chose a technique that I refer to as "management by fear."

Similarly, the students tended to toe the line in anticipation of being offered a plum job in what is one of the highest-paying civil service systems in the world. It was a common understanding, I was surprised to discover, that there were informers in each class who reported to the administration on the behavior of students and lecturers. Thus students who were too outspoken might find themselves deprived of the largess associated with working in the well-paid technocracy, and faculty members might find their chances for promotion greatly reduced. As one of my expatriate colleagues remarked, the NUS was "an incubator for another batch of baby mandarins."

The quest for knowledge is generally subverted by political considerations. Many full professors in the Faculty of Arts and Social Sciences had direct links with the ruling People's Action Party (PAP) either as members of Parliament or in some other capacity. My own department head had a plaque placed prominently on his desk with the motto: "An ounce of loyalty is worth more than a pound of ability."

Little wonder that during the recent pause in the pace of economic activity, the government began to ponder the dearth of creative thinking in confronting the challenges of the global economy. It has now embarked on the classic statist technique of throwing money at a problem's symptoms rather than its causes. An expensive project is under way to "create creativity" without initiating fundamental changes in the rigid educational system. Obviously, they just don't get it!

Entrepreneurs and Progress

In April 1997 a survey conducted by the China University of Political Science and Law indicated that the content as well as the teaching methods of China's secondary and higher education were out of date and in "conflict with the cultivation of creativity." The study surveyed 2,000 students from ten institutes of higher education and ten high schools. More than half of the student participants complained of outdated textbooks, test-oriented teaching methods, and irrational knowledge structure.

Educational systems that encourage a submersion of the individual in a collective (such as the Confucionist-inspired notions of "soci-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ety above self" and unquestioning acceptance of authority) will unavoidably inhibit the emergence of indigenous entrepreneurs. These individuals are a key ingredient for sustained economic progress through creative and independent thinking. By definition, their search for profit opportunities requires that they constantly take risks and undertake challenges to the economic order and, if need be, to the political status quo. In contrast, people who choose to be political cronies are unlikely to be risk takers. Attempts by authoritarian regimes to institutionalize the free-enterprise process by appointing party faithful cannot succeed, because the attributes of entrepreneurship involve more than programmed trading. Being truly freethinkers, entrepreneurs will always constitute a potential threat to the political establishment.

However, attempts to suppress or co-opt entrepreneurs may lead to a ruinous brain drain. In attempting to control entrepreneurs, authoritarian regimes are damned if they do and damned if they don't. Perhaps the most damaging result of government policies that restrain freethinking is the glaring absence of innovative design and technological research in much of Asia. While it is true that some of the Tigers have begun to export technology to neighboring countries and have registered an increased number of patents, much of this activity reflects the efforts of multinational corporations that operate in the region.

In East Asia, foreigners have been patenting inventions at a faster pace than have Asian residents. For example, in 1990 foreign inventors in Singapore and Hong Kong were awarded 99 and 98 percent, respectively, of all patents issued. Accounting for 95 percent of Asia's U.S. patents, Japan is the only East Asian country that has kept pace with Western industrialized countries, although a large proportion were for home electronics.

The tendency of most East Asian educational systems to reinforce the aversion to conflict and to work toward "consensus building" has the unintended consequence of strengthening staid hierarchical structures by limiting open debate. In the absence of any counterweight to the strict adherence to hierarchical decisions of politicians or managers, short-run gains from building consensus may be offset by related long-run costs arising from corruption, social injustice, or economic inefficiency.

It is ironic that as Western educators look with envy at the results of Asian schooling, Asian educators seek to emulate the Western approach to learn how to make their students more creative. The solution to this educational puzzle is likely to have enormous economic impact on the future. However, one thing can be said with some certainty: Widely shared prosperity will arise under arrangements that encourage creativity and thus entrepreneurship. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

Gender Madness on Columbia's Campus

by Wendy McElroy

Since the beginning of the fall 2000 academic year, a precedent-setting "Sexual Misconduct Policy" has been in place at Columbia University, one of the nation's most prominent universities. The policy is a new maneuver in the politically correct gender crusade that has swept academia in the last two decades. For example, it establishes Columbia as the only American university with a full-time officer responsible for disciplinary issues surrounding sexual misconduct. It also sounds the death knell for due process on Columbia's campus—at least, for male students. Again, the victimization of men is occurring under the banner of protecting women from violence.

According to Columbia's Office of Sexual Misconduct Prevention and Education, the university's new policy defines sexual misconduct as "nonconsensual, intentional physical contact with a person's genitals, buttocks, and/or breasts. Lack of consent may be inferred from the use of force, coercion, physical intimidation, or advantage gained by the victim's mental and/or physical impairment or incapacity, of which the perpetrator was, or *should* have been, aware." (Emphasis added.) On the surface this definition does not seem unreasonable, although the wording "should have been aware" opens up the possibility of dangerously subjective interpretation.

Why, then, has a backlash of protest steadily grown around the new policy? Critics point straight to the procedures prescribed by the university to deal with alleged sexual misconduct, procedures that constitute an utter suspension of due process for the accused. For example, the hearings do not allow a "defendant" to face his accuser or cross-examine witnesses. Indeed, it is not clear whether he is allowed to even hear the testimony of witnesses: The policy states, "the student does not necessarily have the right to be present to hear other witnesses." Nor is the defendant allowed to have an attorney present during the proceeding. With a maximum of ten days' notice and little information as to the specific charges, the defendant is expected to prepare a defense on which his academic career might hinge.

A University Senate Task Force on Sexual Misconduct—consisting of deans, professors and students—was established to write the new policy. Oddly, at the time it passed, the policy generated little protest among the faculty at Columbia. Law Professor Gerard Lynch was one of the very few professors to speak out against the measure, strongly voicing his concern about the suspension of due process. Meanwhile, Columbia President George Rupp has enthusiastically endorsed the policy. Perhaps the extraordinary pressure brought to bear by politically correct student groups such as Students Active for Ending Rape (SAFER) intimidated those who would have dissented. Stu-

Contributing editor Wendy McElroy (mac@zetetics.com) is the author of The Reasonable Woman *and other books.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dents presented the administration with a petition boasting thousands of signatures and conducted what a SAFER press release described as "a grassroots student movement unmatched in recent history at Columbia University." SAFER declared that the policy's passage was "a direct result of massive student pressure."

(Interestingly, this is one of the few points of criticism that the university denies. A letter from Alan J. Stone—a spokesman for President Rupp—stated in response to this point, "One of the primary assertions in the *Wall Street Journal* and in related opinion pieces is that 'campus activists' drove the process." Stone explained that the sexual misconduct policy adopted in 1995 had a sunset clause that called for a re-evaluation and possible revision of the policy in five years' time. But Stone acknowledged the input of student groups.)

It was not until the Foundation for Individual Rights in Education (FIRE—www.thefire.org) exposed the new policy that national attention was drawn to the measure. FIRE—a nonprofit organization dedicated to intellectual liberty on American campuses—may have learned of the policy almost by accident. Cofounder Harvey A. Silverglate has a son who is a senior at Columbia. Accident or not, FIRE has launched a full assault on the policy that it considers to be "perhaps the most flawed and unfair . . . at any university in America."

Scary Scenario

In a letter dated August 1, 2000, to Columbia's Board of Trustees, FIRE painted a scenario that involved a student nearing graduation who is accused of having committed "date rape" in his freshman year. (Complainants have five years from the date of the alleged incident to file a complaint.) The accused student would be denied every basic right of due process guaranteed by the Constitution. Moreover, a gag order would be imposed that would make it impossible for him to conduct an independent investigation or even to name his accusers to an attorney he consulted. The policy states, "Breaches of the confidentiality of the proceedings . . . will constitute separate violations of the Sexual Misconduct Policy."

After the hearing has been conducted in secrecy, the adjudicating panel—consisting of two deans and a student, all specially trained in sensitivity to sexual misconduct—pass judgment. The accused could be expelled and denied a diploma, thus negating years of his life and perhaps ruining his career. The latter comment is not an exaggeration. For example: at its discretion, Columbia could tag all documents and transcripts relating to the defendant with a notation indicating "criminal misconduct." Those mislabeled would have difficulty in bringing a libel or malicious-prosecution suit against the university owing to the confidentiality rule by which information such as the identity of witnesses might be withheld.

The draconian treatment of those accused of sexual misconduct was justified on the grounds of protecting women from violence. In the past, officials at Columbia University have been bitterly accused of obstructing women who attempt to bring charges of rape or similar abuse against male students. Some of the complaints may well be legitimate. Specifically, SAFER and a few other "anti-violence" groups wanted to streamline the process by which defendants in such cases were brought to "trial." To dramatize their objections to what they called "red tape bureaucracy" that hindered prosecution, SAFER orchestrated an ongoing protest by which students put strips of red tape on books, backpacks, clothing, and around their wrists.

Student groups also contended that the rate of rape on Columbia's campus was being intentionally underreported by the administration to make the university "look good in *U.S. News and World Report,*" which considers crime rates in its ranking of American universities. SAFER pointed to St. Luke's Roosevelt Hospital, which is rumored to deal with three to eight cases of rapes from Columbia each month. St. Luke's did not confirm that rumor, however, and others at Columbia, such as Maura Bairley, program coordinator for the Rape Crisis Center, believe that the underreporting is simply part

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of a national trend and not because of corruption in the administration. Nevertheless, with "Take Back the Night" marches and similarly shrill tactics, SAFER was able to title its press release "Students Force Columbia University to Pass Precedent-Setting Sexual Misconduct Policy."

In the face of criticism from FIRE and voices such as the *Wall Street Journal*, Columbia's administration has vigorously defended its policy. Concerning the suspension of due process, J.J. Haywood, the interim program coordinator for the Office of Sexual Misconduct and Prevention, has maintained that the hearing is merely a "fact-finding, informal, educational procedure." The policy concurs and states, "The hearing is not an adversarial courtroom-type proceeding." This description is repeated verbatim in Exhibit A of the report issued by the Task Force on June 19. Nevertheless, on the basis of these hearings, Columbia can place a student on "probation, suspension or dismissal, and may include a prescribed educational program" such as gender sensitivity training. At a meeting to vote on the measure, astronomy professor James Applegate rejected the idea that a hearing with such punitive power could be "non-adversarial," especially when adjudicating accusations of rape.

Columbia's administration also points out that the university is a private institution and the courts have upheld its right to determine which procedures are appropriate to serve its needs. In short, students have no right to expect constitutional protections from university procedures. Private or not, it is the government, which means the taxpayer, that will foot much of the bill for Columbia's experiment with gender justice. As part of their report, the Task Force mentioned that grant funding to finance a full-time officer responsible for disciplining sexual misconduct was available from the Department of Justice. The on-campus gender crusader is estimated to cost $125,000 of taxpayer money in the first year. Yet according to Patricia Catapano, who chaired the Task Force, "The courts only have said that Columbia . . . has to have fundamental fairness" because it is a private institution.

The Force of Moral Suasion

In response, FIRE has called the policy both "unfair and inaccessible," going so far in its rhetoric to compare the proceedings to "a court in Nazi Germany." FIRE declared, "As a moral concept . . . due process protections are essentially the fundamental principles of fairness, principles that every college and university—public or private—should apply to its own actions, whether or not they are required to do so by law." No one is denying the right of Columbia to enforce its private policies, though the issue of having those policies supported by tax dollars introduces a distinct grayness into the situation. Critics rather are bringing the force of moral suasion to bear on Columbia by casting a cold light of publicity on procedures that deny basic standards of decency to male students accused of sexual misconduct.

Apart from the denial of due process, critics raise other disturbing issues, including these:

- Columbia is an educational institution. As such, it oversteps its authority by adjudicating criminal matters such as rape and sexual assault. Just as it would not prosecute cases of murder, it should not hold hearings on other criminal misconduct, but rather restrict itself to determining "guilt" in less serious cases.
- Columbia may punish those found guilty of a criminal offense, but it is not only outside its purview to determine criminal guilt, it is also outside its ability. For example, the university does not maintain a crime lab to analyze the evidence on which a judgment of rape often hinges. Only the judicial system can properly adjudicate criminal guilt. Only afterward should the university consider imposing additional penalties on those found guilty.
- Complainants are free to pursue redress through the courts and the university will delay hearings until the court process is completed. However, the report of the Task Force states that the verdict of the court "shall in no way limit the powers of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> any Dean to take any summary action with respect to the matter that he or she deems appropriate." Even if the accused is found not guilty of rape or has the charge dismissed as frivolous, the university may proceed with a hearing and find him guilty. The university's posture invites accusations that could not be supported by a balanced examination of evidence and witnesses.

Although advocates of the policy might sincerely believe that they are protecting victimized women, Columbia's hearing will not produce this result. Jaime Sneider, a sophomore at Columbia College, wrote in the *Columbia Daily Spectator* (December 2, 1999), "If our legal system is as flawed as proponents of this new sexual misconduct policy would have us believe, then the problem can't be corrected by instituting a new sexual misconduct policy. . . . Injustice will proliferate by establishing a University court that avoids the checks and balances of civil liberties."

Advocates contend that victims of sexual violence are uncomfortable sitting in the same court room as perpetrators and must be shielded from the emotional trauma. This attitude is an outright denial of a woman's competence to operate as an adult within society and its institutions. It treats women as infants who cannot function on the same level as men.

The Sexual Misconduct Policy comes on the heels of another harassment scandal that hit the Columbia campus last year. The legal scholar George P. Fletcher was accused of creating a hostile gender environment for women when he asked a question on a criminal law exam. It concerned an actual case in which an anti-fertility zealot destroyed the fetus of a pregnant woman who later expressed gratitude to the man for doing so. Law School Dean David Leebron informed Fletcher that the question might be "unlawful" to ask. FIRE and the American Civil Liberties Union (ACLU) have addressed what they call "a terrible assault against academic freedom." Nadine Strossen, president of the ACLU and a law professor, stated, "At stake in this situation are not only free speech and academic freedom, but also women's dignity and equality."

A difficult struggle for due process and gender sanity on American campuses lies ahead. Advocates of the new Sexual Misconduct Policy seem determined to have it set a precedent for universities across the nation. In a SAFER press release, co-coordinator Nikki declared, "We believe this new policy will have national impact as other schools look to it to model their own Sexual Misconduct Policy." An intercollegiate conference is being planned to "discuss campus sexual misconduct policies and strategies for reform." As SAFER states in an "Agenda" published on its Web site, "Many other schools are trying to improve their policies and we are in a great position to help them."

It is to be devoutly hoped that the course of sexual misconduct policies within academia does not parallel the spread of sexual harassment policies. One of the first definitions of academic sexual harassment—and still a touchstone—was formulated by researcher F.J. Tilly and published in a 1980 Report of the National Advisory Council of Women's Educational Programs. According to Tilly's incredibly inclusive and vague definition, sexual harassment in academia is "the use of authority to emphasize the sexuality or sexual identity of a student in a manner which prevents or impairs the student's full enjoyment of educational benefits, climate, or opportunities."

Universities across the nation scrambled to adopt this new form of gender correctness. Less than a decade later, in September 1989, Harvard University issued a guideline that pushed the definition of sexual harassment farther by removing any connection between behavior and intent. In the section "Sexism in the Classroom," the Harvard guideline cautioned against innocent remarks. "Alienating messages may be subtle and even unintentional," the guideline observed, "but they nevertheless tend to compromise the learning experience of both sexes. . . . For example . . . calling only upon women in a class on topics such as marriage and the family."

The rapid spread of sexual harassment policies has ruined the careers of good professors, disadvantaged male students, lowered the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

quality of an academic education, and silenced free speech on American campuses. And it has done so with little opposition from intimidated faculties. Sexual misconduct policies may wreak the same havoc on the principle of due process and fairness in university proceedings.

There is reason to believe that the political correctness juggernaut is being halted. A press release last fall from Curt Levey of the Center for Individual Rights announced that the University of Oklahoma had agreed to review its sexual harassment policy "to prevent violations of the First Amendment." The university's agreement was part of a settlement it reached with Professor David Deming, who had been threatened with harassment proceedings for a letter he wrote to the campus newspaper.

FIRE executive director Thor L. Halvorssen and his organization are important factors in continuing to turn the PC tables around. Halvorssen has vowed to wage an unwavering campaign against Columbia's new Sexual Misconduct Policy. The *Columbia Spectator* (www.columbiaspectator.com/) quoted him as saying, "If the trustees don't listen, we are going to take this to the alumni. And if the alumni doesn't listen, we will go to the parents. Do not rule out mass mailings to the parents by FIRE." Hopefully parents will care as much for the well-being of their sons as they do for that of their daughters. □

FEE ESSENTIAL LIBRARY

The best of FEE—now available through Laissez Faire Books.
Phone: 800-326-0996. Mention you are a FEE customer.

Essentials of Economics
Faustino Ballvé
(paperback) $9.95 / ST7265

Economic Harmonies
Frederic Bastiat
(paperback) $12.95 / EC7124

Economic Sophisms
Frederic Bastiat
(paperback) $11.95 / EC7123

Selected Essays on Political Economy
Frederic Bastiat
(paperback) $12.95 / IN0284

The Law
Frederic Bastiat
(hardcover) $12.95 / IN7039
(paperback) $3.00 / IN0282
carton of 100 paperbacks: $150.00

The Freedom Philosophy
(an anthology of classic FEE essays)
(paperback) $7.95 / PP8339

Mises Made Easier
Percy L. Greaves, Jr.
(paperback) $11.95 / LF6356

The Foundations of Morality
Henry Hazlitt
(paperback) $14.95 / PH6243

Economic Policy
Ludwig von Mises
(paperback) $9.95 / LV6318

Human Action
Ludwig von Mises
(hardcover) $39.95 / LV7095

Liberalism
Ludwig von Mises
(paperback) $12.95 / LV0100

Anything That's Peaceful
Leonard E. Read
(paperback) $9.95 / PP6244

Clichés of Politics
Edited by Mark Spangler
(paperback) $9.95 / PT6079

The Mainspring of Human Progress
Henry Grady Weaver
(paperback) $9.95 / IN8338
carton of 88 paperbacks: $438.00

Laissez Faire Books Shipping Charges

Standard, based on merchandise total:

$0–$24.99	$3.50
$25.00–$49.99	$4.50
$50.00–$74.99	$5.50
$75.00–$99.99	$6.50
$100.00 & over	FREE

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Economics

Economic Efficiency

Economic efficiency is the standard that economists use to evaluate a wide range of things. Economists who favor markets argue that they generate outcomes more efficient than do socialism or government regulation. As we shall see in the next few months, economists don't like pollution because it is inefficient. This emphasis on efficiency seems strange, if not reprehensible, to many people. They are convinced that economists are so narrowly focused on efficiency that they ignore the truly important things in life. Who but someone lacking completely in a sense of what makes life meaningful doesn't recognize that pollution is bad because it harms the environment? We should get rid of it whether or not it is efficient.

This criticism is unwarranted, though understandable. Efficiency is a tricky concept. Once it is understood what economists mean when they refer to efficiency, it becomes clear that it is a much broader, and more desirable, goal than many people realize.

Technical versus Economic Efficiency

People often think of efficiency as an objective ratio of inputs to outputs. For example, they sometimes argue that the internal-combustion engine is inefficient because only a small percentage of the energy in the gasoline is converted into motion. Furthermore, the argument continues, it is possible to build engines that convert a larger percentage of gasoline energy into motion. But such objective measures of technical efficiency are meaningless by themselves because they leave out the relative values people place on things, values that are necessarily subjective. Even the argument that the internal-combustion engine is inefficient depends on valuing motion, which people do. But motion is not the only thing they value. For example, much of the energy in gasoline is converted into heat, some of which can be channeled inside the car. So even if all the energy in gasoline could be converted into automotive motion (which it can't), people in cold climates would be willing to sacrifice some of this technical efficiency to heat their cars. This reduction in technical efficiency would increase economic efficiency, which involves making marginal sacrifices of one thing (motion) to obtain marginal increases in something people value more (heat).

One might argue that we should make engines as technologically efficient as possible since, even if we did, there would still be enough heat generated to warm a car. But this ignores the subjective value people place on lots of things that must be sacrificed to increase technical efficiency. Sure, new engines might convert more of the energy in gasoline into motion, but doing so would require diverting resources away from pro-

Dwight Lee (dlee@terry.uga.edu) is Ramsey Professor at the Terry College of Business, University of Georgia, and an adjunct fellow at the Center for the Study of American Business at Washington University in St. Louis.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ducing other things of value. Long before technical efficiency was maximized, the marginal cost of improving that efficiency would exceed the marginal value. This would reduce economic efficiency because it requires sacrificing more value (marginal cost) than is realized (marginal value).

Fortunately, market prices provide the information and motivation required to achieve economic efficiency. For example, engine producers increase profits by improving the technical efficiency of engines until the marginal revenue from the improvement declines to the marginal cost. Since marginal revenue tends to reflect how much consumers value additional improvement, and the marginal cost reflects the value of the goods and services sacrificed to make additional improvement (since input prices reflect their value in alternative uses), engine producers increase their profits by improving engines only as long as they add more value than is sacrificed. That's not technically efficient, but it is economically efficient because it increases the total value realized from scarce resources.

Our discussion of economic efficiency should provide comfort to those who worry that we are wasting resources by using more than we need. We do use more of some resources than we need, but that is not wasteful if it allows us to create more value. In the engine example, using additional gas in technically inefficient engines frees resources to create more value than the gas is worth. This is not fundamentally different from leaving a light on in the bathroom because I am watching an exciting golf match on TV, something many would say is wasteful. But it's not! Sure, I'm using more electricity than I need, but by doing so I'm using my time for something I value more than the electricity I could save. (If not I would have left the program and turned off the light.)

Electricity provides another good example of increasing economic efficiency by doing something easily seen as wasteful. Almost 20 percent of the hydroelectricity used in the United States is produced by pump-storage, the use of electricity to pump water uphill into a reservoir so the water can be released to generate electricity. It takes significantly more electricity to pump the water uphill than is generated when the water runs back downhill, so pump-storage is clearly not technically efficient. But pump-storage is widely used because it increases economic efficiency and avoids waste. The value of a kilowatt of electricity depends on when it is available. Late at night, additional electricity is worth much less than it is during the day and into the early evening. So electricity can be used to pump water uphill from midnight until early morning with little value sacrificed. That lost value is more than made up by the value of the electricity produced by releasing the water during the day when electricity is very valuable. Pump-storage reduces the amount of electricity available to consumers, but it increases economic efficiency and reduces waste by shifting availability from periods when it is worth less to periods when it is worth more.

Freedom and Efficiency

People often argue that wide-ranging government restrictions on our freedom are necessary to promote efficiency. But economic efficiency is impossible without freedom because it is not the narrow concept many accuse it of being. It is about increasing value as determined by the diverse and subjective preferences of hundreds of millions of individuals. The only way people can effectively communicate information about their values to those best able to respond is through the freedom to engage in market transactions for whatever and with whomever they choose. This freedom, for example, allows a person to take what seems to be a less-productive (and lower-paying) job than he could have because he enjoys the work, or prefers the location, or feels a duty to care for elderly parents, or numerous other reasons that can be fully known only to those faced with the particular tradeoffs involved. The freedom to take the lower-paying job, and to make any other choice in a free market, is essential for economic efficiency because value is determined by far more than just money and narrow material considerations. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

The Ideals of Tyranny

by Jim Peron

Socialism, along with other movements founded on egalitarianism, has often been held up as a moral ideal. Many people consider the drive for "equality" to be laudable. It is frequently claimed, however, that socialism, although based on a moral principle, failed because it used immoral means to obtain its ends.

But the problem is that the method of implementing socialist ideals is inherent in the ideals themselves. Equality, the very principle of socialism that so many people hold out as its highest virtue, leads inevitably to dictatorship. Former Marxist theoretician David Horowitz says that "the rights historically claimed in the paradigm of the Left are self-contradictory and self-defeating." The achievement of equality requires the abolition of freedom. Horowitz writes: "The regime of social justice, of which the Left dreams, is a regime that by its very nature must crush individual freedom. It is not a question of choosing the right (while avoiding the wrong) political means in order to achieve the desired ends. The means are contained in the ends. The leftist revolution must crush freedom in order to achieve the 'social justice' that it seeks. It is unable, therefore, to achieve even that end. This is the totalitarian circle that cannot be squared. Socialism is not bread without freedom; it is neither freedom nor bread."

The destructive nature of socialism is the result of its desire for equality. The reasons are not difficult to understand. In *The Constitution of Liberty,* F.A. Hayek wrote, "It is just not true that human beings are born equal; . . . if we treat them equally, the result must be inequality in their actual positions; . . . [thus] the only way to place them in equal position would be to treat them differently. Equality before the law and material equality are, therefore, not only different but in conflict with each other."

There are in the world people with varying levels of intelligence in addition to varying levels of education and ability. Not everyone can be a nuclear physicist or a physician. And no amount of education will change that. So how do we achieve equality of results—if that is our goal? The only method left is to tear down the great. Those who are intelligent thus become victims of the mob violence of the least intelligent in their society. This is why Mao had his Cultural Revolution. This is why Pol Pot attacked the educated. This is why Robert Mugabe in Zimbabwe has targeted black professionals and white commercial farmers.

Sociologist Robert Nisbet notes that egalitarianism is the fundamental doctrine of revolutionary political movements. More than any other single value, equality is the mainspring of radicalism. No other value serves so efficiently in distinguishing among the varied

Jim Peron is the author of Exploding Population Myths *(Heartland Institute). He is executive director of the Institute for Liberal Values in Johannesburg, South Africa, and can be reached at peron@gonet.co.za.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ideologies of the present, and for that matter, of the past couple of centuries. What one's attitude is toward equality in the complex of social, cultural, and economic goods tells us almost perfectly whether one is radical, (classical) liberal, or conservative.

Preoccupation with equality has indeed been the constant mark of the radical in the West for a long time. The passion for equality, first vivid at the time of the Puritan Revolution, has been the essential mark of every major revolution in the West (with the possible and mixed exception of the American) and has carried with it, often in millennial degree, the urge among its more ardent votaries to undermine, topple, and destroy any society where inequality can be found.

A free society will not be one of equality. Once human beings are free, the choices that they inevitably make will change their levels of wealth. Even if we were able to redistribute all wealth equally, once the heavy hand of centralized control was removed, inequality would immediately result. Imagine a society of complete equality of wealth but one where all people were free to make decisions regarding their own lives. If wealth were equal at 8 a.m. it would be unequal by 8:01. Some individuals would spend their money, while others would invest it. Some would gamble with it or buy pastries. Others would purchase tools for work or pay for education or training. Each choice means that the distribution of wealth will become progressively more unequal. The only way to prevent this from happening is to strip each individual of the right to make decisions for himself. The destruction of freedom is the only method for implementing equality of results.

Thus every egalitarian society ultimately has to rely on coercion and tyranny to achieve its goals. Some have been more moderate than others, but the methodology always remains the same. Even the most moderate welfare states require systematic and perpetual policies of coercive redistribution.

Democratic Socialism

Democratic socialism is no exception. In an article for the Fall 1989 *Free Inquiry*, Professor Kai Nielsen argued that in a socialist society "authority and power are shared. Everyone has equal access to them, at least in the weak sense of 'one man, one vote.'" The result, he says, "makes for greater equality of condition." But this is not true. Minorities almost never benefit from a majority vote. This was true for blacks in the Jim Crow South and is equally true today for whites in Zimbabwe. At least under capitalism some "greedy" businessman is willing to sell me the goods I want. But under democratic socialism I have to convince the majority of my fellow citizens of the usefulness of meeting my needs or wants. An appeal to the selfish desires of a "greedy" entrepreneur is far easier than an appeal to the altruistic impulses of the population at large.

Nielsen argued that "a socialist society will be more egalitarian than a capitalist one," and I suspect he is right. But there are two ways to create an egalitarian society. One is to raise everyone up to the highest level; the other is to lower everyone to the lowest level. The former has proved rather elusive, while the latter seems much easier to achieve. Share-the-wealth programs inevitably end up becoming share-the-poverty plans instead.

Anti-capitalists say that the fact that a free market produces unequal rewards proves it is inferior—if not evil. But in a society where freedom of thought is allowed, some people think more efficiently and rationally than some other people. Is it any more wrong to have unequal thinking ability than it is to have unequal economic ability? As a matter of fact, much of the inequality of wealth is due to the inequality of the ability to think. Each person should have the equal right to think, and the equal right to labor, but we cannot guarantee an equal outcome without lowering the ability of the best to the standards of the least capable.

Socialists are too glib in dismissing the ways that socialism restricts individual freedom. Nielsen writes: "Socialism does prohibit capitalist acts—or at least most capitalist acts—between consenting adults. But that simply means that it constrains buying and selling. It says nothing at all about the really crucial freedoms, namely, civil liberties, such

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

as freedom of speech, of voting, of movement, or conscience, and the like."

The use of the word "simply" in that paragraph is insulting. You are told you have freedom of speech but not the freedom to buy and sell. The major means of production will be in the hands of the state. You can say what you want, but you have to go to the state to buy the paper, ink, and printing press that you need to disseminate your thoughts to others. You have freedom to travel but presumably on a state airline, railroad, or bus service and then only if it doesn't conflict with some democratically decided central plan. You will be free to exercise your civil liberties as long as you don't use resources to do so. If you do use resources then you must go to the state for permission.

Even in a democratic socialist society the physical implementation of rights is required, but physical resources are in the hands of the state. The democratic socialist seemingly believes that humans are disembodied spirits who can achieve their "higher values" in a nonphysical world. In every capitalist society, socialist newspapers, pamphlets, and books abound. Under capitalism the socialist was not required to obtain majority consent to publish his agenda. The same is not true for capitalists, and other dissenters, in the socialist paradise.

"Crucial Freedoms"

Professor Nielsen also betrays the inherent inequality of socialism when he says that people can still engage in "really crucial freedoms." He doesn't spell out an answer to an important, but unasked, question: crucial to whom? Like socialists everywhere Nielsen tells us that some freedoms are more important than others, and he and his fellow socialists will decide for us which freedoms are really crucial. But what if you disagree with Nielsen? What if you think that the right to sell your labor is more important than your right to freedom of speech?

Nielsen has already answered that question: "In a socialist society no one can buy and sell labor-power." Because the professor doesn't value the right of selling labor, you would be forbidden to sell your labor regardless of your wishes. Nielsen obtains the unequal right to impose his value system on you. His society will be one where you must value "competing" freedoms according to his wishes. Socialist egalitarianism soon slips into the Orwellian nightmare where "some animals are more equal than others."

The inherent inequality of socialism is also revealed when Nielsen tells us: "With more rational planning than is possible in capitalism and with an economy structured to meet human needs, socialism can enhance human well-being more than capitalism can." But to have "rational planning" and a "structured" economy someone must do the planning and the structuring. Who will have that power? And what if you don't want to be "planned" and "structured" according to someone's whims?

The socialists tell us that under capitalism there are two classes: the capitalists and the workers. But under socialism there are also two classes: the planners and the planned. Under capitalism competing capitalists try to buy your labor, and you have the choice of picking which one of the many you will work for. And if you don't like any of them you can start your own business. Under socialism there is one employer, and you have no choice. The only "choice" you have under socialism is to live according to the values of the socialist. In fact, we can't even use the word "choice" in this context since a choice requires alternatives and the freedom to pick among them.

In a free society no one would act to prevent socialists from setting up their own "ideal" society. But in Nielsen's world the socialists would prevent libertarians from setting up their own society. In other words, there is no equality of rights under socialism. The socialists, like all dictators, ultimately end up granting one right: the right to live according to their values, wishes, and plans.

The grand plan of the socialists would be "arrived at democratically," says Nielsen. But just how this is accomplished is blissfully ignored. Also ignored is the fundamental question of why the majority has the right to democratically plan your life. If the majority

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in a democratic socialist society has the right to impose its will on the minority simply because it is the majority, then the majority has rights, in that specific instance, that the minority doesn't have. Again we are faced with an inequality of rights and yet socialists tell us that under socialism there is egalitarianism.

Professor Nielsen closes his argument with an appeal for the right to impose his values. "A commitment to autonomy is a commitment to self-direction; what would most notoriously limit that would be limitations on civil liberties, but they are not touched by socialism. What is touched is the freedom to buy and sell, including to buy and sell labor. This hardly affects people living self-directed lives, but even if it did, it would mean trading off a lesser liberty for a greater one."

I disagree. I don't divide my liberties into "lesser" or "greater." I see liberty as indivisible. Like most socialists, Nielsen doesn't value economic liberty. Thus it is a "lesser" liberty. His egalitarianism means he can trade off the liberties that you and I value because *he* doesn't value them. Whose standards do we use to categorize our liberties? Do we decide this democratically? Should civil liberties be decided by a vote of the mob? Or do we again turn to Nielsen and his colleagues and let them decide for us?

The ability to produce, that is, to labor, since there can be no production without labor, must be planned in order for a socialist society to remain socialist. If the planners are to plan the economy rationally they must be able to direct labor—so much for the freedom of movement praised by Nielsen. How can they plan the economy if people are free to pursue their own self-interests? If the planners need engineers, but people wish to pursue philosophy instead, the planners will need the power to close down the philosophy classes and transfer these future professors into engineering courses. If they don't have that power, how can they plan the economy? If they do have the power to choose our intellectual pursuits, then what happens to freedom of thought? After all, the economy must be structured to meet "human needs," in the collectivist sense, not individual needs.

Democratic socialism that protects civil liberties is, in the end, an illusion that can only be obtained at the point of the gun. The fatal flaw in socialism is twofold: first, the conceit inherent in the desire to plan the lives of others; second, the force necessary to impose that plan on unwilling subjects. This is not a formula for freedom but for tyranny. The tyrannical horrors witnessed during the last century under the dictatorships of Marxist intellectuals were not contrary to their idealist goals. The methods and the goals are intimately tied together. The dictatorial reality was the direct result of idealistic goals. Whatever human beings may wish, the fact remains that free men will never be equal and equal men will never be free. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CAPITAL LETTERS

To Vote or Not to Vote

To the Editor:

As a long-time supporter of FEE I was very disappointed in the partisan viewpoint expressed by Sheldon Richman in his Perspective in November 2000. He seemed to sum up his interpretation of the Cato Institute study with the advice to either not vote Republican or not vote at all. If that is Mr. Richman's viewpoint, so be it. I happen to think, as nearly 50 percent of the voters, that there were many other vital issues dividing the Republicans from the Democrats. No need to repeat them here. Just read any issue of *Ideas on Liberty*.

—LAWRENCE M. TILTON

Sheldon Richman responds:

I think I was misunderstood. I did not mean to express a partisan viewpoint in the strict meaning of that term. When I recited the horrendous spending record of the congressional Republicans and concluded, "Remember that as you go to the polls—or as you don't go," I was simply acknowledging that, though much maligned, not voting is a legitimate option.

On Student Fees and State Universities

To the Editor:

George Leef's article "Mandatory Student Fees and Freedom of Speech" (August 2000) presents a powerful argument against such fees as a mechanism for funding various campus groups. I'm certainly in sympathy with his position and agree that such fees should be abolished. It seems quite strange that the Supreme Court ruled unanimously against declaring these fees unconstitutional. How can we justify requiring students to fund organizations with which they may disagree? Surely groups advocating gay rights or opposing abortion should have to depend on voluntary funding.

And yet, as I read Leef's article, I suddenly thought of a real problem with his position. State universities fund all kinds of activities not directly related to education. Should all mandatory fees for all such activities be prohibited? How about athletic programs, whether intercollegiate or intramural? Many students have little or no interest in such programs. How about the building and maintenance of a student union? The majority of students at many state institutions are nonresidents and may well never enter the student union during their entire college career. Some of these nonacademic activities may be funded out of general revenues rather than out of specifically mandated fees, but this distinction is irrelevant. Any program raising university costs almost surely ultimately means higher total expenses for students.

In any case, state university funding of campus groups (probably mostly left-wing) is hardly the worst thing such institutions do. How about women's studies programs or culinary institutes? Worst of all, how about colleges of education? Note that all this stuff is funded mostly through the use of compulsion, whether in the form of taxes or fees. Taking on one type of mandatory fee seems sort of like poisoning one fire-ant hill in southern Louisiana.

This specific issue leads to a general point all advocates of limited government should remember—libertarian principles offer little if any insight into how government institutions should be run. The defender of the free market should advocate abolishing all government spending on education, thereby making all spending in this area voluntary. As a second-best position, vouchers or tax credits for education would expand choice and reduce coercion. The problem is with the fundamental structure of education, not with the internal decisions of individual institutions.

Whenever any of us point out problems with government institutions to ordinary peo-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ple, their immediate reaction is that the errors should be corrected—the institution should be reformed. The libertarian response should always be that government can't be reformed; it must be abolished. The problem with state universities is that they exist, not that they fund left-wing groups with mandatory fees. The problem with the U.S. Postal Service is that it exists, not that it is slow or inefficient or competes unfairly with private firms. The problem with antitrust laws is their existence, not the particular firms government enforcers choose to attack. We may sometimes have to accept half measures, such as personalized investment accounts instead of complete elimination of Social Security; but we should endorse only those proposals that offer clear movement from government coercion toward market voluntarism. Our theme with respect to government should always be—end it because you can't mend it.

—BILL FIELD
Department of Economics
Nicholls State University

George Leef responds:

I agree entirely with Bill Field's analysis. Government funding of universities (and so many other things) inevitably leads to a host of coercive expenditures and programs. Getting rid of mandatory student fees for political activism is just one small part of the overall goal of putting education on a voluntary payment basis.

Inspired? Shocked? Delighted? Alarmed?

Let us know.

We will print the most interesting and provocative letters we receive regarding *Ideas on Liberty* articles and the issues they raise. Brevity is encouraged; longer letters may be edited because of space limitations. Address your letters to: *Ideas on Liberty*, FEE, 30 S. Broadway, Irvington-on-Hudson, NY 10533; e-mail: iol@fee.org; fax: 914-591-8910.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

Social Security Reform: Lessons from the Private Sector

"Of all social institutions, business is the only one created for the express purpose of making and managing change. . . . Government is a poor manager."

—PETER F. DRUCKER[1]

In the ongoing debate over the privatization of Social Security, one story has been overlooked: The private business sector in the United States has already faced the pension-fund problem and resolved it.

Here's what happened. After World War II, major U.S. companies added generous pension plans to their employee-benefit programs. These "defined benefit" plans largely imitated the federal government's Social Security plan. Companies matched employees' contributions; the money was pooled into a large investment trust fund managed by company officials; and a monthly retirement income was projected for all employees when they retired at 65.

Management guru Peter F. Drucker was one of the first visionaries to recognize the impact of this "unseen revolution," which he called "pension fund socialism" because this Social Security look-alike was capturing a growing share of investment capital in the United States.[2] Drucker estimated that by the early 1990s, 50 percent of all stocks and bonds were controlled by pension-fund administrators.

Mark Skousen (www.mskousen.com; mskousen@aol.com) is an economist at Rollins College, Department of Economics, Winter Park, FL 32789, a Forbes *columnist, and editor of* Forecasts & Strategies. *His new book,* The Making of Modern Economics, *has just been published by M. E. Sharpe.*

But Drucker (who doesn't miss much) failed to foresee a new revolution in corporate pensions—the rapid shift toward individualized "defined contribution" plans, especially 401(k) plans. Corporate executives recognized serious difficulties with their traditional "defined benefit" plans, problems Social Security faces today. Corporations confronted huge unfunded liabilities as retirees lived longer and managers invested too conservatively in government bonds and blue-chip "old economy" stocks. Newer employees were also angered when they changed jobs or were laid off and didn't have the required "vested" years to receive benefits from the company pension plan. Unlike Social Security, most corporate plans were not transferable. The Employment Retirement Income Security Act (ERISA), passed in 1974, imposed regulations on the industry in an attempt to protect pension rights, but the headaches, red tape, and lawsuits grew during an era of downsizing, job mobility, and longer life expectancies.

The New Solution: Individualized 401(k) Plans

The new corporate solution was a spinoff of another legislative invention—the Individual Retirement Account (IRA). The 401(k) rapid-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ly became the business pension of choice, and there is no turning back. These "defined contribution" plans solve all the headaches facing traditional corporate "defined benefit" plans. Under 401(k) plans, employees, not company officials, control their own investments (by choosing among a variety of no-load mutual funds). Corporations no longer face unfunded liabilities because there is no guaranteed projected benefit. And workers and executives have complete mobility; they can move their 401(k) savings to a new employer or roll them over into an IRA.

According to recent U.S. Labor Department statistics, there are about nine times more defined-contribution plans than defined-benefit plans. Almost all of the major Fortune 500 companies have switched to defined-contribution plans or hybrid "cash-balance" plans. Companies that still operate old plans include General Motors, Procter and Gamble, Delta Airlines, and the New York Times Company. IBM, a company that once guaranteed lifetime employment, switched to a "cash-balance" plan two years ago, giving its 100,000 employees individual retirement accounts they can take with them in a lump-sum if they leave the company before retirement (long-service workers are still eligible for IBM's old defined-benefit plan). But virtually all "new economy" companies, such as Microsoft, AOL, and Home Depot, offer 401(k) plans only.

Why Social Security Needs Reform

Congress could learn a great deal studying the changes corporate America has made in pension-fund reform. In fact, Social Security is in a worse position than most corporate plans were. Since less than a fourth of all contributions go into the Social Security "trust fund," the government program is more a pay-as-you-go system than a defined-benefit plan, where most of the funds go into a corporate managed trust fund. As a result, the unfunded liability, or payroll-tax shortfall, exceeds $20 trillion over the next 75 years. To pay for so many current recipients, Congress has had to raise taxes repeatedly to a burdensome 12.4 percent of wages, and payroll taxes will need to be raised another 50 percent by the year 2015 to cover the growing shortfall.[3] Few corporate plans require such high contribution levels.

Moreover, the Social Security trust fund is poorly managed, so much so that experts indicate that the annual return on Social Security is 3.5 percent for single-earner couples and only 1.8 percent for two-earner couples and single taxpayers.[4]

Clearly, converting Social Security into personal investment accounts would be a step in the right direction, a policy change already achieved in Chile and other nations.

Unfortunately, government—unlike business—is not prone to innovation. As Drucker notes, "Government can gain greater girth and more weight, but it cannot gain strength or intelligence."[5] □

1. Peter F. Drucker, "The Sickness of Government," in *The Age of Discontinuity* (New York: Harper, 1969), pp. 229, 236.
2. Peter F. Drucker, *The Unseen Revolution: How Pension Fund Socialism Came to America* (New York: Harper & Row, 1976). This book was reprinted with a new introduction as *The Pension Fund Revolution* (New Brunswick, N.J.: Transaction, 1996).
3. Andrew G. Biggs, "Social Security: Is It a Crisis that Doesn't Exist?" Cato Social Security Privatization Report 21 (www.cato.org), October 5, 2000, p. 3.
4. Ibid., p. 32.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

BOOKS

Law's Order: What Economics Has to Do with Law and Why It Matters

by David D. Friedman

Princeton University Press • 2000 • 329 pages • $29.95

Reviewed by Charles W. Baird

Law and economics, or the economic analysis of law, is a relatively new discipline. It was launched in the late 1950s and early 1960s and has grown in importance and in the number of its practitioners ever since. It uses key principles of economics—such as self-interest, rationality, efficiency, and externalities—to predict the intended and unintended effects of different legal rules and to explain why we have the particular legal rules we do and why some legal rules might be considered better than others. Aaron Director and Ronald Coase, to whom the book is dedicated, and Judge Richard Posner, to whom the author refers in several chapters, have been major contributors to the field.

David Friedman is an economist and a professor of law at the University of Santa Clara School of Law. This book is one of his best efforts. His style makes it great fun to read, and it is filled with intriguing insights. Because of its comprehensive scope, it could easily be used as a text in an introductory course in law and economics. For example, it includes a chapter on antitrust law that I wish Joel Klein and Judge Thomas Penfield Jackson had read before they proceeded to punish Microsoft for being too effective a competitor.

Friedman's early chapters explain basic economic concepts vital to understanding law. A transition chapter explains the structure of the American legal system, and the later chapters apply economics to the analysis of such things as criminal law, tort law, contract law, and marriage, sex, and babies. One especially interesting chapter is devoted to a law-and-economics analysis of three alternative legal systems—saga-period Iceland, eighteenth-century England, and Shasta County, California.

Law's Order is more than an introductory text, however. For example, in Chapter 5 Friedman goes far beyond the usual exposition of the Coase Theorem. He illuminates the differences between property rights and liability rights and how the choice of efficient rules depends on such things as the free-rider problem among joint buyers and holdouts among joint sellers. A reader is well advised to read this chapter carefully, with pencil and paper at hand since it is basic to much that comes later.

Friedman introduces each new concept with an actual or hypothetical example that puts the reader in the center of the issue. Frequently, he comes to what seems a reasonable conclusion and in the very next paragraph he explains why it is wrong. In one case, the issue of whether, on efficiency grounds, we need criminal law at all, he goes through seven rounds of arguments changing his answer each time. He offers this "as evidence of how risky it is to go from the existence of an argument for the efficiency of some particular rule to the conclusion that the rule is in fact efficient." It is also an effective expository device because it engages the reader. I tried to anticipate the arguments in each round before I read them. I was often wrong, but I learned something useful every time.

Judge Posner is famous for his conjecture that the common law, which develops over time through judicial precedents and decisions, consists of legal rules that are, for the most part, economically efficient. Friedman gives many examples—for example, the negligence doctrine in torts—consistent with Posner's conjecture, but he also gives a few—such as product liability rules—that aren't. Posner's great contribution, according to Friedman, has been to direct attention to the question of economic efficiency in the law. "We do not know whether the law is efficient. We do know that the question 'What is the efficient legal rule?' converts the study of law from a body of disparate doctrines into a single unified problem."

The book is filled with elegant, instructive arguments. Consider just one. Burglary,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Friedman argues, should be a tort rather than a crime, and denting a fender should be a crime rather than a tort. The basis of those startling assertions is the incentive for potential victims to undertake efficient preventative measures. In tort law, successful plaintiffs are made whole through compensatory damages. In criminal law, victims do not receive compensation. If the penalty is a fine, it is the state that receives the money, not the victim. If the penalty is imprisonment, the victim suffers an additional loss in taxes to pay for the incarceration. Therefore, potential victims of crimes are more likely to undertake efficient prevention measures than are potential victims of torts. Preventative measures are more effective for dented fenders than burglaries. Under the general rule that incentives should be placed where they do the most good, denting a fender should be a crime, and burglary a tort.

Finally, the book has no footnotes and very few references. Friedman and his publisher have set up a Web site for his readers to obtain the missing information online. Friedman chose this option to make the book more user-friendly for the intelligent layman who will read it for general information and entertainment rather than as an academic resource. Icons in the margins of the hard copy point to corresponding online icons. I think this bit of entrepreneurship will pay off and thus become widely imitated. □

Charles Baird, a professor of economics and the director of the Smith Center for Private Enterprise Studies at California State University at Haywood, is a quarterly columnist for Ideas on Liberty.

Economic Logic

by Mark Skousen

Capital Press • 2000 • 369 pages • $29.95 paperback

Reviewed by Paul A. Cleveland

Economic Logic is Mark Skousen's new principles of economics text, which is intended to teach introductory economics in a consistent, integrative fashion. That is a worthy goal. I am not alone in being weary of the current texts that offer a buffet of economic theories. My discontent has developed for a simple reason. Often, when people learn I am an economics professor, they tell me about their miserable experiences in a required economics course.

How is it possible that basic courses in economics are so boring and convoluted that they leave a bad taste in people's mouths? Like Skousen, I believe that the main problem is that those courses keep most people from seeing the relevance of economics to their lives. Commendably, Skousen has written a principles text that is not guilty of that offense.

His introductory chapters deal with the fundamentals of economics, the nature of human action, and the importance of production and trade as the chief means of creating wealth. In fact, the explanation of the creation and destruction of wealth is central to the book. He distinguishes carefully between wealth and money, and systematically discusses the various stages of production. Throughout, Skousen focuses on entrepreneurial insight as a key component of economic progress.

My enthusiasm for the book grew when I read the chapter on profit and loss. Skousen emphasizes the dynamic nature of the free market and points out how change is prompted by new products, innovations in production, and other kinds of entrepreneurial actions that drive the market process. He does this by stressing that profits and losses are the ultimate signals of market success and failure. As he states, "Profits and losses are the *sine qua non* of economic existence. They determine *what* is produced, *when* it is produced, *how much* is produced, and *how* it is produced." Thus from the outset, profits are regarded positively.

I also like the fact that Skousen integrates managerial theories into his discussions. For example, he presents the notion of Economic Value Added (EVA). EVA has become a common part of financial management texts in recent years, and Skousen uses it to demonstrate how successful business decision-makers approach their jobs—as entrepreneurs. This approach makes economic theory relevant to students whose main interest lies in business.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Skousen continues to develop microeconomic theory with chapters on prices and output, supply and demand, and costs. Among the highlights, the chapter on supply and demand begins with an excellent illustration of the pitfalls of government regulation and intervention. Skousen uses the case of West Germany after World War II to illustrate how people free from government interference were able to achieve a stunning economic recovery. This provides a powerful admonition to those who misguidedly believe that human problems are best solved politically.

When Skousen turns to the issue of monopoly, however, I detect a shift in position. He begins by presenting the prevalent welfare economics that arises from a static, structural view of the economy. This approach typically portrays profit as bad. The reader waits patiently for Skousen to begin a critical attack of this theory. However, even though he makes some of the criticisms that have been lodged against structural analysis, anyone who finds D. T. Armentano's Austrian critique of neoclassical monopoly theory compelling will be less than satisfied with this chapter.

Skousen then turns his attention to the factors of production. The discussions are useful and full of excellent examples. In the chapter on labor Skousen provides strong critiques of comparable-worth laws and minimum-wage legislation, and an honest assessment of union activity, which aims to garner special privileges by way of political activism. In the chapter on capital, Skousen demonstrates the importance of capital accumulation in promoting economic progress. The only downside here was that he omitted any discussion of how government policies hinder that accumulation.

Skousen's goal was to write an introductory economics text that would cut through the complexities of theory while providing a good understanding of economic principles. He has largely succeeded. □

Paul Cleveland is professor of economics at Birmingham-Southern College.

The Graves of Academe

by Richard Mitchell

The Akadine Press • 1999 • 229 pages • $15.95 paperback

Reviewed by George C. Leef

Richard Mitchell is back in print! This is a new printing of Richard Mitchell's 1981 book, one that I found irresistible back then and still regard as one of the most devastating, clear-eyed attacks on America's pompous education establishment ever written. Mitchell, still alive and teaching at Rowan University in New Jersey (formerly Glassboro State), deflates the pretentious blather of the "education professionals" with Menckenesque wit and satire. I'd relish his style even if he were writing about some meaningless subject; to turn all that ability against the mind-ruining education blob is nirvana.

Mitchell begins with the audacious insight that governments prefer weak-minded citizens who will be easy to manipulate. The following quotation gives the reader a good taste for the author's style:

> Imagine that you are one of those functionaries in government in whom there has grown a propensity to command, in however oblique a fashion and for whatever supposedly good purpose, the liberty and property of your constituents. Which would you prefer, educated constituents or ignorant ones? Which would you rather face—citizens with or without the power of informed discretion? Citizens having that power will require of you a laborious and detailed justification of your intentions and expectations and may, even having that, adduce other information and exercise further discretion to the contrary of your propensities. On the other hand, the ill-informed and undiscriminating can be easily persuaded by recitation of slogans and the appeal to self-interest, however spurious.

Exactly. There is no stronger argument for the separation of education and state than the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

fact that government officials face an irresistible temptation to use the education system to shape a gullible, obedient population predisposed to look with favor on their attacks on liberty and property. Keep that temptation in mind and all the idiocy that Mitchell lampoons, and all that we observe today in the fever swamps of educational theory, make sense.

The main target of the book is the means by which we train teachers. Those who aspire to teach young people must, with but a few exceptions, spend years of their lives in government-approved teacher-training academies. "Teacher training," Mitchell writes, "is a colossal and terribly serious enterprise," calling for "larger and larger faculties and counselors and facilitators and support service and more and more money." The result, however, is the manufacturing of eager young teachers who have imbibed copious amounts of education "theory" but haven't themselves mastered (or perhaps even studied at all) the subjects they are to teach. (But that doesn't trouble the educationistas, who don't think that teachers should impart knowledge, but instead act as "facilitators" so students can "find their own knowledge.")

How bad are things out there in Education Land? Mitchell gives us plenty of evidence. Consider, for example, the following course description of an offering in the education department at the University of Tennessee.

> Aim is to introduce the students in an informal situation to the major themes of existentialism and humanism; to make them aware of their basic inner freedom to lead an authentic life, to sing their own song, to dance their way through life, to relate themselves to themselves through self-understanding, to relate themselves to others through non-ego love, to accept their complete academic responsibility to their own growth. . . .

Mitchell's commentary is priceless. "The ordinary citizen, contemplating such a juvenile parody of scholarship, is inclined to protect his sanity by assuming that such a course is a freakish anomaly. That, alas, cannot be so. This instructor, after all, is not an independent entrepreneur peddling self-help and uplift down at the Community Center. . . . This course is offered with the approval and connivance of his colleagues and coconspirators in that Department of Educational Curriculum and Instruction and the entire administrative apparatus of the University of Tennessee."

Mitchell also attacks, among many others, the educationistic idea that any and every problem that someone might have needs to be addressed by some new course offered in school. "We are told," he writes, "that we need consumer education because people are easily duped by misleading advertising, cannot figure out the per-ounce price of ketchup, and imagine that they can live on Twinkies and Coca-Cola. . . . The consumer who is duped by misleading advertising does not need consumer education; he needs to know how to read. The housewife who can't figure out what ketchup costs does not need consumer education; she needs to know how to cipher. And as for those who want to live on Twinkies and Coca-Cola, frankly that's their own damn business and we ought to leave them alone."

Thanks to the Akadine Press for bringing back this marvelous book (and also Mitchell's other three fine books). Read (or reread) *The Graves of Academe* and savor the work of an implacable foe of what we now call "education." □

George Leef is the book review editor of Ideas on Liberty.

NATO's Empty Victory
edited by Ted Galen Carpenter
Cato Institute • 2000 • 194 pages
• $9.95 paperback

Reviewed by E. Wayne Merry

Our "triumph" in the Kosovo war has left a sour aftertaste. Last year's Senate effort to cut off funding for American "peacekeeping" there shows that thoughtful political figures of both parties understand the ominous

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

consequences of this ill-conceived war. The effort failed because then-candidate George W. Bush asked his Senate allies not to pursue it in an election year. However, the fact that such senators as Robert Byrd and John Warner felt it high time to call a halt to this adventure is proof the "bully little war" in the Balkans has not lived up to Clinton administration rhetoric.

An excellent place to learn the facts is the Cato Institute's *NATO's Empty Victory*. In 13 topical essays, various experts expose the origins of a failed policy, the mistakes of its implementation, and what lies ahead, such as:

- The administration completely miscalculated Serbian policy and resolve, and then blatantly lied about its own expectations and intentions.
- The terrorist, drug-dealing Kosovo Liberation Army conned Washington into giving it the air force it lacked (namely, ours) by deliberately provoking Serb atrocities against its own civilian population.
- There was no humanitarian tragedy remotely on the scale claimed by NATO (still less a genocide), and the killing on both sides paled next to the bloodshed in other crisis spots not worthy of American attention (where the victims were not white).
- The air campaign deliberately targeted Serb civilians, because we could not find enough military targets within NATO's rules of engagement and because Washington was sure Belgrade would capitulate quickly. We then bombed civilian targets because we had to bomb something.
- The major burden of the war fell on innocent regional neighbors (especially Macedonia, Bulgaria, and Romania), where fledgling efforts at economic development were dealt a body blow (in particular by destruction of the Danube bridges) with only palliative words from Washington as compensation.
- By going to war without resort to the U.N. Security Council, we confirmed the world's worst fears of American hegemony, made a mockery of NATO's written pledge to Moscow that NATO-Russia cooperation would not undercut the role of the Security Council, and primed the Chinese to believe our blunder in destroying their Belgrade embassy was deliberate (something they will *not* forget).
- Pursuit of a multi-ethnic and democratic Kosovo as a NATO colony will fail, because the ethnic groups don't want it and the KLA is run by a bunch of thugs.

The most essential chapter of all is Stanley Kober's erudite examination of the constitutional issues when the White House initiates war without so much as a "by your leave" to Congress. Here is the question of questions: what happens to the American Republic in our conduct of Madeleine Albright's "virtuous power"?

Such a slim volume obviously cannot be comprehensive, but some important themes do need more attention:

The "free agent" diplomacy of Richard Holbrooke was almost designed to convince Belgrade that Washington was looking for a fight rather than a solution. Given Holbrooke's imperial pro-consular style and his orchestration of the failed Dayton accords, one could scarcely find a worse emissary—unless Washington really wanted a fight rather than a solution.

General Wesley Clark persuaded some congressional visitors to his headquarters that he was pursuing a personal grudge match with Milosevic and not properly balancing military means and ends. Even the administration felt Clark was over the top and replaced him as soon as political spin allowed.

Finally, the roles of our European allies warrant more discussion, in particular that of the French. While Britain talked a good war, France alone actually carried a major part of the air campaign (more than the other Europeans combined).

Washington's decision-making process on Kosovo was disturbingly similar to Britain's during the Suez crisis: an amalgam of ignorance, arrogance, personal pique, and inability to think through the use of military power. Britain never fully recovered from its Middle

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

East fiasco. The American "hyper-power" can still afford such follies as our recent Balkan adventure, but that is no reason why we should engage in them. □

E. Wayne Merry, a former State Department and Pentagon official, is senior associate at the American Foreign Policy Council in Washington.

The Coming Global Superstorm
by Art Bell and Whitley Strieber
Pocket Books • 2000 • 255 pages • $23.95

Reviewed by Patrick J. Michaels

Academics like Your Obedient Servant are instructed that literature has to be analyzed in terms of its social and societal context. From this, I conclude that Art Bell and Whitley Strieber's *The Coming Global Superstorm*, more than anything else, is a monument to the failure of public education in science and technology. Otherwise, no one would buy this book.

Despite the protestations by our greener friends that "the climate problem" is the most complex issue ever confronting mankind, it's really pretty simple. The sun warms the earth, and the warming of the atmosphere creates something called climate. Embedded within climate is day-to-day weather.

According to Bell and Strieber, something very funny is going to happen to the weather. Particularly, history is going to repeat itself. The last time this something happened was about 8,000 years ago, as a result of a nuclear war waged by a society that had already discovered space travel. Bet you didn't know that!

What happened then and will happen again soon is that the stratosphere and the troposphere will change places. The latter is the bottom 80 percent of the atmosphere, and it is largely separated from the layer above it by something called physics. A bit of air exchanges each year, but owing to the fact that temperatures are uniform in the stratosphere ("stratified") there's little vertical motion.

The two layers will turn over, the authors say, as a result of the unhappy combination of the fact that the solar ascendant sign has shifted from Pisces to Aquarius and the fact that we are burning fossil fuels, causing global warming. Suddenly the temperature of the high latitudes drops 15 degrees, while the rest of the planet is outrageously hot. As the cold stratospheric air flips over the moisture-laden troposphere, a hemispheric scale low-pressure system produces hundreds of feet of snow. It drops 100 degrees in one hour in the Canadian Arctic Archipelago. The snow stops between New York and Baltimore, thank God, so that the federal government is still here to save us. (Some writers never give up on their philosophy.)

Subsequently, much of the snow melts, creating a huge flood that kills just about everyone left. Then the eternal whiteness of being sets in (because there's still a lot of snow left over), and an ice age ensues. In the end, searchers discover some people alive in New York City, who kept themselves alive by burning books. *The Coming Global Superstorm* should have been one of them.

Stupidity sells. At the time of this writing, Bell and Strieber's fairy tale for gullible adults book is listed #6, out of nearly 6,400 "Environmental Science" titles listed at Amazon.com. Perhaps worse are the online reviews. Most people believe this stuff! Well, what do you expect, when the current Maryland "Standards of Learning" exam requires students to show how astrology determines their lives. I guess the acceptance of this egregious nonsense isn't surprising. After all, Strieber got to tout his book on *Today* with Katie Couric, who couldn't come up with anything resembling a reasonable question. The least she could have asked was, "Mr. Strieber, in your last book you say you were 'probed,' I can't say where on this show, by aliens. Isn't it true that this is where you were given the knowledge to write this book?"

The answer, unfortunately, is in the affirmative. Which goes to show where our heads are on the issue of climate change.

One more important nugget. The reason that we don't stop global warming enough to prevent the coming global superstorm is the activities of a small but "highly activist

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

coal company [called] Western Fuels," which "maintain[s] a cadre of individuals with university degrees who skillfully drain the issue of all sense of crisis." That's me, folks! Thanks, Bell and Strieber, but it's not Western Fuels and six college professors who are somehow endangering the entire world. It's the stupidity that surrounds global warming hysteria. □

Patrick Michaels is professor of environmental sciences at the University of Virginia and author of The Satanic Gases.

A Necessary Evil: A History of American Distrust of Government

by Garry Wills

Simon & Schuster • 1999 • 365 pages • $25.00

Reviewed by Joseph R. Stromberg

Professor Garry Wills loves government. Perhaps one day he will tell us if he believes in *any* substantive limitations on government at all. Wills's long-standing love of government can be seen in "The Convenient State," an essay he wrote when he was his own brand of conservative. Since the mid-sixties, when he was first traumatized by inland "rednecks," he has expounded a unique brand of Tory socialism.

Wills is very unhappy about the rise of "anti-government" movements that claim part of the American tradition. The solution? Eviscerate the tradition! The result is a collection of scattered attacks on various ideological items that Wills sees as central to (mostly) "right-wing" distrust of government power. If the attacks succeed, then Wills will have cut the ground out from under these paranoid miscreants. Wills organizes his thoughts around Revolutionary Myths, Constitutional Myths, Nullifiers, Seceders, Insurrectionists, Vigilantes, Withdrawers, and Disobeyers. Like Firesign Theater, Wills asserts that everything we know is wrong. Among our delusions are the following: militias were important in the Revolution, the founders wanted divided and "inefficient" (his word) government, and the states were sovereign. Mythmakers include Jefferson, John Taylor, Calhoun, and contemporary academics who take the Second Amendment seriously.

Wills's treatment of militias and arms depends heavily on the findings of Michael Bellesiles, and will fall as quickly—and as far—as those findings. It won't be long. *OED* in hand, Wills takes an eighteenth-century philological field trip through the Second Amendment. The tour is very nearly as convincing as was the "psychic archeology" of the early 1980s. "Bear arms" in English echoes set Latin and Greek phrases and can only refer to organized, public war. And no one, I suppose, had ever read Blackstone.

Wills contrasts "anti-governmental values"—"provincial, amateur, authentic, spontaneous, populist, voluntary"—with "governmental values"—"cosmopolitan, expert, authoritative, efficient, elite, regulatory." This is nothing more than his old song-and-dance that while the anti-federalist masses wallowed around in primitive republicanism, clever fellows like James Madison and Alexander Hamilton took up the modern ideas of the Scottish Enlightenment.

Such far-seeing fellows could not have wanted government to be "inefficient" or weak; it follows that they didn't really provide for checks and balances in the way we imagine they did. Here Wills is not exactly wrong, but Raoul Berger made a better case for this than Wills has done. Legislative supremacy—if that was the Founders' plan—was less threatening than it sounds because the Constitution was thought to establish a system of enumerated powers. But Wills won't put up with this and argues, rather implausibly, that there is only an enumeration of worthy projects, the *powers* to carry them out being, apparently, endless. Wills must also claim that the union preceded the states. This he does by unconvincing assertion and quotations from such authorities as Lincoln. Abe is even quoted as denying that *Texas* had ever been sovereign, an absurdity not worth refuting.

Despite impressive pyrotechnics and clever tropes, the case is not made. But Wills has a secret weapon: Little Jamie Madison's secret opinions. Madison, it turns out, was so advanced that he anticipated the Fourteenth

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Amendment and sought to reduce the states to mere administrative expressions. Accordingly, he insinuated ambiguous language into every public document he drafted so that later emanationists and penumbra-sniffers could realize his program, long range.

But Madison did not get what he wanted. (On this, see the late M.E. Bradford's essay on the Constitutional Convention "as comic action.") Why Jamie's secret agenda should have any weight is a mystery. For Wills, it derives from Madison's moral superiority. After all, the hicks out in the states lacked a broader vision and would oppress anyone they could. Only federal power could prevent that and *protect* free speech and the like. I especially like the way Washington, D.C., protected free speech in 1917–18, but Wills somehow omits that period. There is, however, a discussion of mean old Joe McCarthy.

Scottishly enlightened, Madison brought social science into the fabric of government. Wills, who has never shown much appreciation for market economics, seems unable to tell if division of labor and efficiency work out differently in the so-called public and private sectors. He gives us little sermons on traffic lights and licensing, and commentary on Plato, Aristotle, St. Augustine, and David Hume. Throughout, he conflates society and state. Too bad he didn't read his old colleague Frank Meyer's *In Defense of Freedom* a bit more closely.

In the end, if it's really a choice between giving up our received notions of freedom and giving up James Madison, there isn't much of a contest, old chap. Framer overboard. □

Joseph Stromberg is the JoAnn B. Rothbard historian-in-residence at the Ludwig von Mises Institute.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY
MARCH 2001

Relying on Relatives

One of the highlights of the 2000 presidential campaign was Winifred Skinner. You may remember her—she was the can-collecting 79-year-old woman who used the money from her foraging for tin and aluminum to finance her prescription drugs. She was interviewed on *Good Morning America* about her plight, and Al Gore highlighted her story in his campaign speeches. Chosen by Gore to be one of his 13 "citizen advisers" before the first presidential debate in Boston, she even traveled there in a Winnebago to do her part in bringing about change.

At some point in the saga, it came out that Winnie had a son who was quite well off, perhaps even wealthy; he presumably could make up for the shortfall in income that might occur if she stopped walking the streets in search of a nickel's worth of tin. But that revelation failed to derail the media's love affair with Ms. Skinner, and it didn't stop Al Gore either. He explained that we still need a prescription drug program for seniors because Winifred prized her independence. She didn't want to depend on her son.

No. She wanted to depend on me. And you. Strangers. And Al Gore's idea of compassion was to force us to support her.

Fast forward to the present, which for me as I write this column is late December 2000. George W. Bush is making cabinet choices for his administration in the abbreviated time available after the circus in Florida. As Bush assembles his cabinet and begins speaking about his policy agenda, we now hear from the equivalent of Winifred Skinner's son. In this case, it's Sarah Jessica Parker, the acclaimed star of the acclaimed HBO hit *Sex and the City*.

Sarah Jessica is concerned about a Bush presidency. Speaking to a *Washington Post* reporter, she said, "I'm worried about the kind of cuts he might make in domestic programs that mean something to a lot of people, including people in my family who depend on certain things from the government." (I wish I had the same grounds for concern. I cannot remember Bush mentioning a cut in any domestic programs during the campaign.)

But the truly fascinating aspect of the remark is that I think Sarah Jessica Parker actually expected that her quote would make her appear compassionate. According to a story this past summer in the *New York Times*, she is worth about $4 million. Her annual income is certainly what most people would call a great deal of money. Apparently it does not occur to her that she might be an appropriate source of help for the less fortunate members of her family. In her mind, as in Gore's and Winifred Skinner's, struggling loved ones should be cared for by strangers. There is another possibility, suggested by the peculiar wording, "people in my family who depend on certain things from the government." She did not say they were on welfare or food stamps or Medicaid. It is possible that

Russell Roberts (roberts@wc.wusl.edu) is an economist with the Weidenbaum Center on the Economy, Government, and Public Policy at Washington University in St. Louis. His new book is The Invisible Heart: An Economic Romance *(MIT Press, 2001).*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

they "depend on certain things from the government" such as agriculture price supports or cheap airwave frequencies to run radio stations or government-limited taxi medallions or export subsidies to favored companies and industries. Compensating relatives for these losses, should the government decide to cut back, might even challenge Sarah Jessica Parker's monetary resources.

Without Social Security

I am reminded of those who pronounce that without Social Security, millions of elderly Americans would starve to death. This image, designed to enforce the policy status quo, ignores the way the world might work in the absence of government-enforced "compassion." In the absence of Social Security, people would plan differently for their own retirement. (They are doing it now in a world where Social Security's future is merely uncertain.) But the most important difference between a world with Social Security and a world without is that relatives would help one another instead of relying on welfare payments financed by payroll taxes. That is true private social security.

A world of true private social security has many challenges. Many siblings do not get along, and it might be difficult to coordinate assisting poor elderly relatives. Many would use the financial leverage to manipulate relatives in various ways. The cold, heartless public Social Security system avoids these problems, and it allows for the illusion of dignity. Winifred Skinner may prize her independence. By not relying on her son, she is free from his meddling in her life. But is she really independent when she relies on me and you?

The Sarah Jessica Parkers and the Winifred Skinners may believe that the illusion of independence is worth preserving. I generally prefer truth to illusion, but let's assume that it is better to depend on strangers than loved ones. Maimonides, the great Jewish thinker of the thirteenth century, argued that the highest level of charity is when the donor, through a loan or gift, creates the opportunity for the recipient to get a job or start a business, thereby becoming truly independent. The next highest level is for the recipient to depend on the donor, and for both to be ignorant of the identity of the other. The government system does have that desirable outcome. But producing that outcome through public means comes at a tremendous cost.

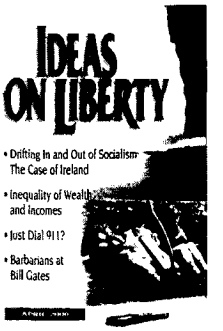
It creates a world where people rarely if ever look to one another for help. It creates a world where true compassion is deadened, a world where gratitude is lost. It means a one-size-fits-all system where people with radically different circumstances are often treated identically.

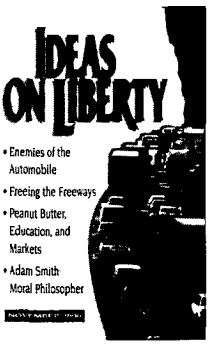
Put yourself behind John Rawls's veil of ignorance, not knowing your situation or that of your parents. Would you deliberately create a world where the situation of the elderly was determined by the political process rather than by individuals and families? Is the illusion of independence that precious? □

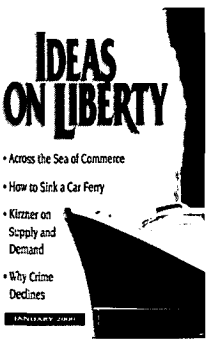
LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS ON LIBERTY

in the Classroom


IDEAS ON LIBERTY
• Drifting In and Out of Socialism: The Case of Ireland
• Inequality of Wealth and Incomes
• Just Dial 911?
• Barbarians at Bill Gates


IDEAS ON LIBERTY
• Enemies of the Automobile
• Freeing the Freeways
• Peanut Butter, Education, and Markets
• Adam Smith Moral Philosopher



IDEAS ON LIBERTY, the Foundation for Economic Education's 64-page monthly magazine, is a valuable resource for teachers and students. Each month readers enjoy fact-filled articles on current events and public-policy issues, clear explanations of economic concepts, and lively commentary on topics as varied as the economics of the latest Star Wars movie and the exceptional brain of Albert Einstein. For economics, history, geography, and other social studies teachers *IOL* is an excellent source of articles as well as classroom lesson plans.

Subscriptions to *Ideas on Liberty* are free for teachers and students. Send your request to Greg Rehmke (grehmke@fee.org). *IOL* lesson plans are at www.fee.org/education/education.html

FEE Web sites:

www.fee.org

www.cliches.org

www.freespeaker.org

For a FREE teacher or student subscription, fill out the form and mail to **FEE, 30 S. Broadway, Irvington-on-Hudson, NY 10533**, or send an e-mail with the information below to: **grehmke@fee.org**

Yes! Please send:

___ **FREE *Ideas on Liberty* magazine**

___ **Information on lesson plans**

Name _____

School _____ Teacher?____Student? _____

Street _____

City _____ State _____ ZIP _____

E-mail: _____

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"Human felicity is produced not so much by great pieces of good fortune that seldom happen, as by little advantages that occur everyday."

BENJAMIN FRANKLIN (1706-1790)
in his "Autobiography"

FOUNDATION FOR
ECONOMIC EDUCATION
30 South Broadway
Irvington-on-Hudson, NY 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED